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EMPLOYEE STOCK PURCHASE PLANS IN
REPRESENTATIVE NEW ENGLAND COMPANIES

A Thesis Submitted to the
Graduate Division of Boston University
College of Business Administration
in
Partial Fulfillment of the
Requirements for the Degree
of
Master of Business Administration

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EMPLOYEE STOCK PURCHASE PLANS IN REPRESENTATIVE NEW ENGLAND COMPANIES

Much has been written about the participation of employees in the ownership of nationally advertised corporations such as Procter and Gamble, General Motors Corporation, Sears-Roebuck and similar organizations. Little, however, is known concerning the movement in the smaller less widely publicized enterprises. It is the purpose of this study to set forth facts of the plans for employee stock-ownership which are, or have been, in operation in thirty-five New England companies, representative of the railroad, public utility and industrial groups. In order to have a better understanding of the plans, however, it is essential to discuss some of the main features of the general movement.

I. Introduction

With the tremendous increase in the size and number of business enterprises necessitating large amounts of additional capital, there has been a great change in the ownership of the organizations. At first, partners provided the required funds but as the companies have grown, large numbers of corporate owners have supplied the capital. Not only has there been a change in the numbers of security holders in these corporations, but also there has been a decided change in the classes of security holders. The early corporate organizations were owned by comparatively small groups of the so-called "wealthy class."

Now industry is supported by owners from all walks of life. Perhaps the best example of this kind of diffusion in ownership is furnished by the public utilities in which customers and employees frequently constitute the largest group of stockholders. An analysis¹ of the purchasers of the seven per cent preferred stock issued by a public utility corporation in a large eastern city in 1926 disclosed that they came from fifty-seven occupations or trades, with as many laundry workers buying stock as bankers and brokers, and clerks, factory workers and housekeepers far in excess of all others. It is apparent that as the number of wage earners has increased with the number of business enterprises, the numbers of the owners of these enterprises has increased also. The ownership of stock in a corporation no longer implies the ownership of great wealth; many people of small means now lend their financial support to industry.

Large-scale industry obliterates the personal relationship between those who own the business and those who produce the goods and services rendered and often brings about a decline in craftsmanship and interest in the job. To bridge this gap, management has attempted to find substitutes for the former personal loyalty to the one employer. Departments of industrial relations have been organized and much attention is given to the proper selection and placement of workers as well as to furnishing incentives to make them greater producers. Bonus systems,

¹National Industrial Conference Board, Employee Stock Purchase Plans in the United States, p. 7.

profit-sharing devices, pensions, rest and recreation activities, the safeguarding of health and educational measures are among the schemes adopted. Even with these, in some cases it has been found that new incentives were needed. Now there is a tendency toward diffusion and democratization in the ownership of the plant.¹ This is not a particularly new idea;² although before 1900 only a few companies were interested in having their workers become stockholders. The Illinois Central Railroad and The A. W. Burritt Company were among the first to adopt such a practice. From 1900 to 1905, a number of important corporations such as Procter and Gamble, the United States Steel Corporation, the Firestone Tire and Rubber Company, established plans. During the ten years preceding the World War a number of other companies including the Dennison Manufacturing Company in 1911, the International Harvester Company and the E. I. duPont de Nemours and Company began the practice. The War period and the prosperous years following it found a decided increase in the movement which was somewhat retarded by the depression years of 1921 and 1922. With the return of prosperity in 1923, however, the number of employee-ownership plans increased rapidly and at this time a number of companies such as the United Shoe Machinery Corporation, Pacific Mills, Yale and Towne Manufacturing Company and others equally well-known as well as many smaller organizations adopted the idea. In 1926, more than two

¹"Stock Ownership by American Wage Earners" Mechanical Engineering, April, 1927, Vol. 49, p. 308.

²Foester, R. F. and E. H. Dietel, Employee Stock Ownership in the United States, pp. 6-8.

hundred companies were known to have plans whereby their employees could acquire company stock on some sort of deferred payment basis.¹

The movement became widespread rapidly and was regarded by some writers of the day as comprising a kind of economic revolution. Thomas Nixon Carver in a magazine article² stated his opinion as follows:

"The only economic revolution now under way is going on in the United States. It is a revolution to wipe out the distinction between laborers and capitalists by making laborers their own capitalists and by compelling capitalists to become laborers of one kind or another, because not many of them will be able to live on the income of capital alone. Labor is beginning to recognize capital's power and to use it as an implement for its own improvement."

A similar opinion was stated by George E. Roberts, vice-president of the National City Bank of New York in an interview:³

"The day of the one-man business is past. The business of the country is coming more and more to be done by large corporations. This being accepted as the future trend of industry, it follows that the savings of the people must be invested in the shares of these corporations instead of in the ownership of a multitude of small industries as formerly. It will require no stretch of theory or imagination to foresee these great organizations for production, transportation and distribution owned by their employees and by the public they serve.....Such a control by the wage-earning class is both desirable and inevitable but must be reached by slow and sound economic development rather than makeshift plans based on insufficient experience of employee-control. Eventually, it infers a much wider knowledge of the

¹Foerster and Dietel, op.cit.

²Carver, Thomas N., "Broad Economics of Employee Ownership," Aera, Vol. 13, pp. 372-382, October, 1924.

³"Gain in Employee Ownership," Iron Age, Vol. 117, p. 545, February 25, 1926.

problems of financing and managing a business on the part of the workers than is at present discernible in wage-earning ranks."

Representatives of labor, however, were not so ready to accept the movement and to regard it as a bid for harmony between labor and capital. One labor organization official¹ noted the fact that many workers are unable to discriminate between ownership and investment and fail to realize the risks involved in joining one's job and savings in one venture. Another union official² regarded the movement as another method of forestalling unionism, contrived by corporations to secure the appearance of coöperation by a method deemed safe because it was under the management's control.

That the American wage-earning class was a veritable well of new capital was realized by many companies and with countless others following the fashion, it was estimated in 1926 that nearly a billion dollars was owned in employee-stock-participation plans.³ The war years with their high wages made it possible for wage-earners to have a margin above the poverty line. This additional purchasing power brought about a notable increase in the wage-earner's living standard; savings bank deposits increased and he became a buyer of goods formerly far out of his reach--silk shirts, pianos, fur coats, automobiles, insurance policies and government securities. The acquisition of the

¹Woll, Matthew, "Why Labor is Opposed to Employee Ownership," Forbes, Vol. 17, p. 19, November 1, 1925.

²Green, W. and T. Mitten, "Two Important Views of Worker Ownership," World's Work, Vol. 58, pp. 56-61, March, 1929.

³Cowdrick, E. S., "Labor's Stake in American Industry," Coal Age, Vol. 33, pp. 676-8, November, 1928.

former luxuries familiarized him with the ease of instalment buying and the purchase of Liberty Bonds furnished impressive lessons in investment. At the same time management was showing an unprecedented interest in employer-employee relations.¹ It is not surprising, therefore, that the movement continued to grow until in 1928, approximately 400 corporations were known to have formal stock-acquisition plans while many others sponsored informal plans.

There are two general types of employee stock-ownership plans.² The more common method of allowing workers to acquire company stock is to sell it to them on a deferred payment plan, the entire cost being met by the employee. The second plan in use is the giving of stock as a bonus based upon wages or length of service. This is plainly a profit-sharing device since no investment by the worker is required.

The greatest justification for employee stock-participation is the encouragement of thrift with the idea of bringing about some degree of financial independence. It is, therefore, important that risks should not be imposed upon men of moderate means, particularly if the enterprise is comparatively new or not a fundamentally basic one. Only seasoned securities should be offered for employees' investment and the management should feel it a duty to educate them in the significance of ownership.³

¹Cowdrick, E. S., "Selling Stock to Employees," Nation's Business, Vol. 17, pp. 23-24, May, 1929.

²Bloomfield, Daniel, Financial Incentives for Employees and Executives, Vol. 2, pp. 128-130.

³Minor, M. Carlisle, "When Employees Buy Stock," Magazine of Wall Street, Vol. 48, p. 664, September 5, 1931.

In many cases, the present plans for stock acquisition are outgrowths of former profit-sharing devices which failed in their purpose to promote thrift and loyalty.

II. Analysis of plans adopted by New England companies.

Of the thirty-five New England companies studied, twenty companies reported active plans for employee stock-participation, fourteen reported completed plans, while only one reported the abandonment of a plan. By the term "active" is meant those companies in which employees are still making instalment payments on subscriptions or those companies which permit employees to purchase stock from time to time without the formality of definite offerings. Completed plans refer to those which consisted of one or more offerings of stock for employee purchase, subscriptions to which have been fully paid.

The companies studied include two railroads, five public utility corporations of which two are holdinggroups, and twenty-eight industrial organizations.

Practically all these companies publish their plans in circular form, distributing them to workers several days before the subscription period is opened so that they may have plenty of time in which to consider the advisability of making the investment. Department heads, supervisors and foremen are usually instructed as to all phases of the subscription terms so that they may make clear to the workers any points which are not clearly understood. This feature seems advisable in some companies particularly as there is a tendency to make the descriptions of the plans as "wordy" as possible. With the

general type of industrial worker in mind, one wonders of just how much value the printed circulars are since in many instances the services of the proverbial Philadelphia lawyer are not only desirable but essential.

Reasons for the presentation of the plans. There is a variety¹ of reasons for the presentation of stock-purchase plans to workers. In many cases where the practice is the outgrowth of a profit-sharing system, the reward for service is often the motive. It is felt that if a worker is interested enough to remain with the company over an extended period, meanwhile performing his work well, that he should have the opportunity to own some of the stock and thereby share in some of the profits which he has helped to earn for the company. This, of course, is closely related^{to} another purpose which is often stated, namely the stimulation of the worker's interest in the enterprise and the improvement of company morale to the point where waste and inefficiency will be reduced to a minimum, thus increasing production. It is hoped that this purpose will also result in the reduction of labor turnover and lessen the likelihood of labor unrest. Probably the most commonly stated purpose for the offering of stock is the encouragement of thrift. Some companies advertise their stock offerings as "thrift" or "savings" plans and it is not unusual for companies to sell "savings" certificates which may be converted into stock certificates after the accumulation of a

¹Tead, Ordway, "The Rise of Employee Stock Ownership," Industrial Management, Vol. 71, pp. 157-158, March, 1926.

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for companies to sell "savings" certificates which may be
converted into stock certificates after the accumulation of a

certain amount. Fashion has been a factor in the introduction of stock-purchase plans as much as it has been in other phases of industrial relations. Doubtless it is true that the imitation of other companies would be found to be the main reason for the adoption of the plan in many instances. Other companies have regarded their workers as an excellent source of new capital while a few organizations have considered it desirable to change the character of their ownership from absentee proprietorship to control by those actually carrying on the business. This has been particularly true of small companies where large sums of capital have not had to be raised or in companies which are controlled more or less by one family.

One or more of these reasons is occasionally stated in the circular descriptive of the plan. Of the company plans studied, that of The A. W. Burritt Company makes the most detailed statement regarding its purpose in permitting employees to become owners of company stock. The following reasons are set forth:

"1. That those having the active management of a business should be financially interested therein, and, so nearly as possible, everyone in proportion to the relative importance of his services to the business.

2. That for those employees whose duties are such as render it impracticable to measure or standardize their individual effort, but which require, in addition to faithfulness, an intelligent exercise of judgment, there should be some provision whereby they may participate

certain amount. Position has been a factor in the investigation of stock-purchase plans as much as it has been in other phases of industrial relations. Doubtless it is true that the idea of other companies would be found to be the same for the adoption of the plan in many instances. Other companies have regarded their workers as an excellent source of new capital while a few organizations have considered it desirable to change the character of their ownership from absolute proprietorship to control by those actually carrying on the business. This has been particularly true of small companies where large sums of capital have not had to be raised or in companies which are controlled more or less by one family.

One or more of these reasons is usually stated in the circular description of the plan. Of the company which issued, that of the A. B. Smith Company when the most detailed statement regarding the purpose in providing employees to become owners of company stock. The following reasons are set forth:

"1. That those having the active management of a business should be financially interested therein, and so nearly as possible, everyone in proportion to the relative importance of his services to the business.

"2. That for those employees whose duties are such as render it impracticable to measure or standardize their individual effort, but which require, in addition to intelligence, an intelligent exercise of judgment, there should be some provision whereby they may participate

on an equitable basis, in the results of the business operations.

3. That for those employees whose duties can be measured with a reasonable degree of accuracy, there should be standardization of their production, and a graded bonus for production in excess of such a standard. Any plan of this nature should be so devised as to overcome the inevitable tendency towards individual and group selfishness which, if existent, is certain to destroy co-operation."

It is apparent that this company has a profit-sharing system as well as a plan for stock-participation. Examples of the purpose of the presentation of plans in other companies as stated in descriptive circulars follow.

The Carter's Ink Company circular states that it "offers to sell its stock to any of its employees, in the belief that stock ownership will prove mutually advantageous to all concerned through increase of interest, efficiency and harmony."

The Dennison Manufacturing Company in adopting its Industrial Partnership Plan "deemed it wise from the viewpoint of sound management to take steps to assure the control of policies remaining in the hands of those actively engaged in the business."

H. P. Hood and Sons, Inc. offer preferred stock to their employees in an effort to encourage thrift.

The New England Power Association, which includes twenty-two electric companies, offers its stock to the employees of its various subsidiaries under a so-called savings plan.

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3. That for those employees whose duties can be measured with a reasonable degree of accuracy, there should be a determination of their production, and a fixed bonus for production in excess of such a standard. Any plan of this nature should be so devised as to overcome the inevitable tendency towards individual and group selfishness and if, in existence, is certain to destroy co-operation.

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its various subsidiaries under a so-called savings plan.

Because of the many reasons from the employees, the New

York, New Haven and Hartford Railroad Company adopted a plan wherein workers might have the privilege of purchasing company stock. A similar reason is expressed by the Pacific Mills and the Plymouth Cordage Company.

The encouragement of the habit of thrift and the desire to aid employees to become co-partners in the management are mentioned as the purposes of the Strathmore Paper Company's stock offering.

Eligibility requirements. Of the thirty-five employee stock-participation plans studied, fifteen state that any employee of the company is eligible to subscribe for company stock. The remaining twenty plans stipulate some special requirement of employees before they may take advantage of the plan.

To carry out the reward for service idea, it is common for companies to require a particular period of service before workers are eligible to become stockholders. In the companies studied, the length of this period ranged from six months required by the Strathmore Paper Company to five years required by the Dennison Manufacturing Company.

The greater the length of the period required the more the plan does become a reward for service since the participation of floating workers is eliminated.

The amount of the annual wage is another governing factor in the rating of the eligibility of workers to become stockholders. In some organizations, officials receiving more than

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The greater the length of the period required the more the plan goes toward a reward for service since the participation of floating workers is eliminated.

The amount of the annual wage is another governing factor in the rating of the eligibility of workers to become stockholders. In some organizations, officials receiving more than

a stipulated sum are not permitted to buy stock through the company but must make their purchases through regular channels. Similarly workers of the rank and file receiving less than a stated sum, usually \$1,200, are not permitted to participate. It is obvious that in order for a person with such an income to meet emergencies it would be better to have his small savings elsewhere than in a stock certificate, unless the company has an unusually liberal policy concerning cancellations and loans.

Not all the companies studied limit their eligibility requirements to wage and service stipulations. Some plans specify definitely that only executives or their assistants, supervisors, or department heads may participate. It is apparent that this is an attempt to keep the ownership closely associated with the management which shapes the company policies. This system is sometimes criticized since it makes it difficult to release such employees from the service of the company should the necessity arise.¹

Other qualifications are mentioned in some of the plans. Good standing is frequently stipulated, or the requirement of a recommendation from the subscriber's immediate superior is sometimes specified. In one company (The Carter's Ink Company) American citizenship is essential in addition to other qualifications. It is not uncommon in small corporations, particularly close corporations which have been more or less in the

¹James, Gorton and others, Profit Sharing and Stock Ownership for Employees, p. 61.

control of one family, to find that a majority vote of the board of directors or of the stockholders is essential.

Minors are frequently mentioned as not being eligible since they could not be held to the subscription contract.

The eligibility specifications of the plans studied were almost as numerous as the plans themselves. Following are examples taken from booklets describing the stock offerings.

The Boston and Maine Railroad Company's circular states that "any officer or employee on the active payroll of the Railroad may subscribe." Stock of the Boston Woven Hose and Rubber Company may be purchased by all salaried employees (weekly, monthly or yearly basis) receiving \$1,200 or more per year, who have been in the employ of the company two or more years. The Builders Iron Foundry of Providence, which sells bonds to its employees, classifies its eligible employees into two groups; the first of which is limited to twenty-five members who must be voted in, while the second is composed of those workers who are interested in putting something into the business either weekly or monthly, or in amounts of fifty to one hundred dollars at one time. The A. W. Burritt Company offers its common stock, on terms of easy payment when so desired, to persons occupying important executive positions.

Under the plan adopted by the Associated Gas and Electric System in 1929, every employee may purchase Class A stock, who, at the time of subscribing, has been continuously employed

control of one family, to find that a majority vote of the
board of directors or of the stockholders is essential.
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that "any officer or employee on the active payroll of the
Railroad may subscribe." Stock of the Boston Seven Days and
Robert Company may be purchased by all railroad employees
(weekly, monthly or yearly bonds) receiving \$1,500 or more
per year, who have been in the employ of the company two or
more years. The Baltimore Iron Company of Frederick, which
sell bonds to its employees, describes its eligible
employees into two groups; the first of which is limited to
twenty-five members who must be voted in, while the second is
composed of those workers who are interested in buying stock
this into the Baltimore stock society or company, or in some
of fifty to one hundred dollars at one time. The A. F. Smith
Company offers its common stock on terms of early payment when
so desired, to persons occupying important executive positions.
Under the plan adopted by the Associated Gas and Electric
System in 1903, every employee who purchases stock is stock, and
at the time of subscribing, has been continuously employed

(interruptions for vacations, illness or accidents excepted) for six months. This is also true of the Connecticut Power Company, although the maximum number of shares subscribable is limited to three. The Geometric Tool Company sets forth in its plan that "no person except one who has been a bona fide employee of the corporation since June 1, 1925, and who is not a director, shall be entitled to subscribe for or own more than twenty-five shares of such stock, except that such employees whose yearly cash income from services rendered to the corporation is more than \$2,000 and less than \$4,000 shall be entitled to subscribe for and own not more than fifty shares, and such employees whose yearly cash income from services rendered to the corporation is \$4,000 or more shall be entitled to subscribe for or to own not more than one hundred shares of said stock."

The New England Power Association with which the Gardner Electric Light Company and the Narragansett Electric Light Company as well as many other utility organizations are affiliated, states that "employees and officers may subscribe for not more than one hundred shares each but the number of shares so subscribed for shall in no event exceed the number of shares which would result in an aggregate of one-fiftieth of the monthly wage or salary of the subscriber being deducted under said 1930 Offering and any previous Savings Plan Offering."

Any worker employed by the New York, New Haven and Hartford Railroad may take advantage of the plan to buy company stock.

(Interruptions for vacations, illness or accidents excepted)

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in the plan that "no person except one who has been a bona fide

employee of the corporation since June 1, 1932, and who is not

a director shall be entitled to subscribe for an own share after

twenty-five shares of such stock, except that such employees

whose yearly cash income from salaries rendered to the corporation

is more than \$5,000 and less than \$10,000 shall be entitled

to subscribe for one own share after fifty shares, and each

employee whose yearly cash income from salaries rendered to

the corporation is \$5,000 or more shall be entitled to subscribe

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the monthly vote on affairs of the corporation being held

under said 1930 plan and any previous plan having been

in

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Railroad may take advantage of the plan to buy company stock.

The Pacific Mills allowed any employee to buy its stock although a restriction was placed on the total number of shares allowed for subscription in each of the company's plants. Workers who have been in the employ of the Strathmore Paper Company continuously for six months may subscribe for company stock. The plan offered by the United Shoe Machinery Corporation states that any or all persons regularly employed in active service by the corporation or by a subsidiary company to which the plan may be offered may apply for shares.

The Waldorf System, Inc. has a more detailed statement concerning the eligibility of employees to subscribe. In that organization the employees who are eligible are as follows:

- (a) Division managers and supervisors
- (b) Department heads
- (c) Store managers
- (d) Such other employees as the president may determine.

The Yale and Towne Manufacturing Company, makers of Yale locks, which has offered stock for subscription at three different times, has changed the eligibility requirement at the time of each offering. In the 1923 plan, only employees in managerial positions, or those having service records of ten years or more could participate in the plan. This was changed in the 1924 plan so that any employee of five years' service might participate. One year later the requirement was revised again to the effect that every employee was eligible to subscribe.

The eligibility requirements have great significance in

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revised again to the effect that every employee was eligible

to subscribe.

The eligibility requirements have been mentioned in

the study of the number of employee stockholders in a corporation. One hears much about the extent of worker ownership and much has been written which regards the movement as a social revolution. Confusion in the interpretation of the facts of the extent of employee ownership is likely to arise from a misunderstanding of the meaning of the word "employee." Almost everyone thinks of an employee as being a worker of the rank and file. Practically all stock-participation plans are taken advantage of by workers who range from unskilled laborers up through foremen, clerical workers, department heads and managers. Before attaching any particular significance to the total number of employee stockholders, it would be well to examine the number according to the grades of their employment.¹

In setting forth the eligibility requirements, most companies are careful to indicate that while those workers meeting the requirements may buy stock there is no compulsion to do so. This is usually stated to eliminate the subscriptions of those who are financially unable to participate, and to discourage the feeling that stock ownership is essential if one is to remain in the employment of the company. For example, in the booklet issued by the Associated Gas and Electric System with which so many New England utilities are affiliated, the following statement appears:

"No employee is under obligation to purchase

¹Fisher, W. C., "Distribution of Employee Stock Ownership," (a communication) American Economic Review, Vol. 17, pp. 272-273, June, 1927.

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stock. The present standing and future prospects of an employee will not be affected in the least by his decision as to the purchase of stock."

Other company plans carry similar declarations.

Limitations of number of securities owned. Practically all of the employee stock-participation plans studied state a definite restriction as to the extent of the employee's purchase of company stock under one offering. Where it is necessary to make individual allotments after all subscription applications have been received, because only a small amount of stock is available, as in the case of the Boston Woven Hose and Rubber Company, it is usual to grant subscriptions for small amounts and cut down the larger subscriptions so that all who so desire may participate in the offering.

Frequently the method of payment is the governing factor in the limitation of the size of the subscription. If cash is paid in full at the time of the subscription, the allotment is likely to be larger. However, if the payment is to be made in instalments, the amount is usually smaller so that the period of payment will not be too long.

In some companies the limit is fixed according to the annual wages received. Frequently the plan states that subscriptions are not to exceed a fixed percentage (usually ten) of the yearly income. In some instances, the number of shares varies with the amount of the income, employees receiving \$1,000 or less being limited to one share, the

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Limitations of number of securities owned. Practically

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number being increased with greater income until those earning \$6,000 or more are eligible to subscribe to five shares. In other cases a similar limit is stated, one share being allowed for every thousand dollars of income although the number varies according to the par value of the stock.

Some companies make a definite stipulation as to the number of shares subscribable regardless of the employee's salary or other conditions of employment. The reason for this is that usually the employee is receiving some special reduction in the price of the stock.

The total holdings of employees in companies where stock offerings are repeated occurrences are sometimes limited to a definite number. This is particularly true in the case of companies where special benefits are paid for the holding of stock over long periods of time.

Another factor entering the limitation of the number of shares subscribable is the length of service of the participating employees, those of longer service being allowed to buy a greater number of shares than those who have been with the company only a short time.

Following are examples of subscription limitation clauses as found in some stock-purchase plans.

The Boston Woven Hose and Rubber Company states in its circular that only those workers receiving an annual salary of \$1,200 or more may participate in the plan and the number of shares subscribed for allotted on the basis of

number being increased with greater income until those earning \$5,000 or more are eligible to subscribe to five shares. In other cases a similar limit is stated, one share being allowed for every thousand dollars of income although the number varies according to the net value of the stock. Some companies make a definite allocation as to the number of shares subscribable regardless of the employee's salary or other conditions of employment. The reason for this is that usually the employee is receiving some special reduction in the price of the stock.

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Following are examples of subscription limitations clauses as found in some stock-purchase plans. The Boston Water Works and Rubber Company states in its circular that only those workers receiving an annual salary of \$1,200 or more may participate in the plan and the number of shares subscribed for allotted on the basis of

salary received; five hundred shares offered at one time would be divided as follows:

"The individual's share to be that ratio which his salary bears to the total salaries of all employees participating (the maximum salary for this purpose to be \$7,500) plus an increased amount equivalent to twenty per cent for each additional five years of service, these additional amounts being considered a part of 'total salaries participating,' in figuring the proportion of the five hundred shares for which each individual is entitled to subscribe."

The A. W. Burritt Company plan states simply that the amount acquirable by each executive is in proportion to the value of his services to the business.

The Associated Gas and Electric System, of which the Cambridge Gas Light Company is a member, gives two subscription limitations:

- (a) The subscription is limited to such an amount that the deductions from the subscribing employee's compensation shall not require more than ten per cent per annum of the employee's current annual rate of pay; and
- (b) No employee shall in any event, be entitled to subscribe for more than one hundred shares.

The Carter's Ink Company sells its preferred stock with the following limitations; after one year's service, up to ten per cent of the salary; after five years' service, up to fifteen per cent of the salary; and after ten years' service, up to twenty-five per cent of the salary. Carter's common B stock (non-voting) is offered with similar limitations.

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tions.

The Connecticut Power Company limits subscriptions to three shares. Eaton, Crane and Pike Company specifies that no person shall buy over five hundred dollars' worth of shares in any one year. Limitations both as to wages and length of service are placed on the employees of the Geometric Tool Company. In that organization, the following requirements must be satisfied:

"No employee shall be entitled to subscribe for or own more than twenty-five shares of stock, except that such employees whose yearly cash income from services rendered to the corporation is more than \$2,000 and less than \$4,000 shall be entitled to subscribe for and own not more than fifty shares, and such employees whose yearly cash income from services rendered to the corporation is \$4,000 or more shall be entitled to subscribe for or own not more than one hundred shares of stock."

The New England Power Association employees and officers may subscribe for not more than one hundred shares each but the number of shares so subscribed is not to exceed the number of shares which would result in an aggregate of one-fifth of the monthly wage or salary being deducted.

The New York, New Haven and Hartford Railroad states in its plan that "while there will be no limitation upon the amount which each employee may subscribe for, preference will be given to filling subscriptions of from one to ten shares, the company reserving the right to cut down any subscription in whole or in part and in any event to restrict the entire allotment to 20,000 shares."

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The New England Power Association employees and officers may subscribe for not more than one hundred shares each but the number of shares so subscribed is not to exceed the number of shares which would result in an aggregate of one-third of the monthly wage or salary being deducted.

The New York, New Haven and Hartford Railroad states in its plan that "while there will be no limitation upon the amount which each employee may subscribe for, preference will be given to filling subscriptions of from one to ten shares, the company reserving the right to cut down any subscription in whole or in part and in any event to restrict the entire allotment to 30,000 shares."

The Pacific Mills, which offered five thousand shares to

its employees distributed among three plants, stated in its plan that any employee might apply for the purchase of from one to five shares. In case more than five thousand shares were applied for, the company would reduce the applications, but in such a way as to allow each employee to subscribe for at least one share. The Screw Machine Products Company states that the maximum number of shares which may be subscribed for by employees is governed by annual wages; for example, employees receiving \$690 (this scale was formulated in 1920) may subscribe for one share; \$690.01 to \$1,533.33, two shares; \$1,533.34 to \$2,146.66, three shares; and so on, until those whose income amounts to \$9,660.01 or more, are entitled to subscribe for eleven shares; any questions concerning the allotments to be decided by the board of directors.

The Stanley Works places similar restrictions on its subscriptions. The Strathmore Paper Company limits purchases of employees' stock, class B, up to an amount which, together with holdings of employees' stock, class A, will not exceed an aggregate of \$2,500. Employees of the United Shoe Machinery Corporation may not subscribe for more than twenty shares; the company reserving the right to reject any application in whole or in part or to make allotment of a smaller number of shares than applied for. The Waldorf System, Inc. limits its workers' purchases to a "reasonable number."

Employees of The Yale and Towne Manufacturing Company may subscribe for stock up to an amount approximating ten per cent of the annual income received from the company.

its employees distributed among three classes, stated in its plan that any employee might apply for the purchase of from one to five shares. In cases more than five thousand shares were applied for, the company would reduce the applications, but in such a way as to allow each employee to subscribe for at least one share. The Paper Machine Products Company

states that the maximum number of shares which may be subscribed for by employees is governed by annual wages; for example, employees receiving \$250 (this scale was formulated in 1920) may subscribe for one share; \$300.01 to \$1,000.00, two shares; \$1,000.01 to \$2,000.00, three shares; and so on, until those whose income amounts to \$2,000.01 or more, are entitled to subscribe for eleven shares; any questions concerning the allotments to be decided by the board of directors.

The Stanley Works places similar restrictions on its subscriptions. The Westchester Paper Company limits purchases of employees' stock, class B, up to an amount which, together with holdings of employees' stock, class A, will not exceed

an aggregate of \$2,500. Employees of the United Shoe Machinery Corporation may not subscribe for more than twenty shares; the company reserving the right to reject any application in whole or in part or to make allotment of a smaller number of shares than applied for. The Walcott System, Inc. limits its workers' purchases to a "reasonable number."

Employees of The Ilex and Tonne Manufacturing Company may subscribe for stock up to an amount approximating ten per cent of the annual income received from the company.

Sources of securities offered. Some companies have offered an entire new issue of stock to their employees to be purchased on easy terms. In companies where new issues must first be made to the stockholders of record, the stock has been offered to employees after the original stockholders' wants have been filled. The practice of selling new issues to employees has been followed quite generally by the public utilities.

A number of companies have issued stock expressly for the purpose of employee purchase. Stock of this type is generally known as special employees' stock and ranks before common in dividend privileges.

In some cases, special blocks have been surrendered by large stockholders and turned over for the purpose of employee purchase.¹ This is particularly true of close corporations where hardly any stock comes on the market.

Other companies follow the practice of buying up their stock on the market at times when the price is favorable, later giving their employees the opportunity of buying it. Companies which have made more than one offering have generally employed this method. This method has to be worked out carefully since buying in a large quantity at one time may result in temporarily inflating the value of the stock, or if the purchases are made in small amounts over a long

¹National Industrial Conference Board, Employee Stock Purchase Plans in the United States, p. 52.

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period, it is possible that the company may lose money, particularly if the purchases are made during a period of declining prices.

Other companies follow the practice of selling treasury stock to employees. This is usually true of companies in which subscriptions may be made at any time instead of during specified offerings. Regarding this practice, it is interesting to note that some companies which originally sold treasury stock have since changed to the market purchase method to avoid the implication that they were trying to raise capital from their employees.¹ It has not been possible to ascertain whether or not such a change has been made in the offerings of any of the New England companies studied.

Not all stock circulars state the source of the security which is tendered for employee purchase. The American Optical Company employees purchased stock surrendered by trustees out of personal holdings. The A. W. Burritt Company executives buy treasury stock, as do those of the Fuller Brush Company and the Strathmore Paper Company. The Geometric Tool Company authorized the issue of a new class of stock known as employees' prior preferred stock. Connecticut Power Company employees purchased stock from a new issue of common. The International Silver Company plan states that it "will purchase" common for its employees' subscriptions. Landers,

¹National Industrial Conference Board, op.cit., p. 53.

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Frary and Clark will also buy stock for any employee in good standing. The practice of purchasing shares in the open market is also followed by the Massachusetts Gas Companies.

The 1927 offer, unlike that of 1925, of the New York, New Haven and Hartford Railroad was apparently a new issue. The Package Machinery Company of Springfield obtained the stock it offered to employees in the open market.

Employees of the Plymouth Cordage Company made their purchases from a block of 25,000 ten-dollar shares issued by the directors for the express purpose of employee purchase. The Strathmore Paper Company in inaugurating its plan authorized the issue of employees' stock, class B, not to exceed \$400,000, with a par value of ten dollars per share. The common stock offered by the United Shoe Machinery Corporation to its employees was purchased in the open market. Employees of the Wiremold Company made their purchases from a new issue authorized for twenty thousand shares of six-per-cent cumulative participating preferred with a ten-dollar par value.

The circular issued by The Yale and Towne Manufacturing Company descriptive of the plan to assist employees to purchase capital stock definitely states that "the company has no stock for sale, and, as it does not deal in its own stock, purchases must be made in the open market." It does, however, arrange for such purchases and for their financing.

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Class of security offered. The following table summarizes

the kinds of securities offered in the employee stock-purchase plans of the companies studied:

Common.....	16
Preferred.....	9
Special employees' stock.....	5
Bonds.....	1
Both preferred and common.....	4
Total.....	<u>35</u>

It will be seen from this that common stock is the most popular. There are several reasons for this. In some cases it is the only type of security issued by the company. Frequently it has happened that even though the enterprise issued other classes of stock, the common stock was the only kind available when the company has gone into the open market to buy stock to sell to employees. Then, too, common stock is considered by some organizations to be more representative in ownership participation since it usually carries voting power with it. In times of prosperity when stock offerings have been made, it has been considered that if the employee bought common stock, the return on his investment would be greater.

Common stock is not, of course, usually considered to be a suitable investment for people of moderate means. With this in mind, some companies have permitted their workers to buy only preferred stock, usually with a definite rate of income specified.

When new issues have been made to be sold to employees, they have frequently been in the form of special employees' stock. Securities of this class are usually preferred as to

the kind of securities offered in the employee stock purchase plans of the companies studied:

Common.....	16
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Bonds.....	1
Both preferred and common.....	4
Total.....	38

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When new issues have been made to be sold to employees, they have frequently been in the form of special employee stock. Examples of this class are usually preferred as to

a specific rate of dividends and they have in some cases been limited as to voting power. It is probable that this class of stock has been issued by some companies with the idea of avoiding market speculation which might occur if the employees were given the privilege of purchasing common stock. It is also apparent that this type of stock has been issued when it has been found desirable to sell employees shares of smaller denominations than would be possible if regular issues were offered to them.

Only one of the companies studied was found to offer its bonds for its workers' investment. The conditions of the sale of these bonds are identical with stock sale terms in other companies. In four of the company plans analyzed, it was found that both preferred and common stock were offered for employee purchase. Where this has happened, selected employees, usually those receiving salaries above a stipulated figure, or those in executive positions, have been permitted to buy the common stock. The preferred stock has been reserved for sale to workers of the rank and file, the idea being that it constituted a better investment for their more limited earnings.

In the descriptive circulars of stock-purchase plans distributed prior to the subscription period, a clear statement is generally made as to the nature of the security offered. These descriptions were taken from some of the plans studied.

Boston and Maine Railroad employees buy prior preference stock. Workers of the Boston Woven Hose and Rubber Company have purchased six thousand shares of common stock in the last fourteen years. The A. W. Burritt Company has twenty-seven common stockholders, all of whom are executives. Associated Gas and Electric System employees buy class A common. The Carter's Ink Company sells preferred stock to its employees, some of which has been exchanged for non-voting common after the completion of a stated number of years' service with the company. The Connecticut Power Company sells its common stock to its workers. Eaton, Crane and Pike Company employees make their purchases from a specially authorized block of special preferred stock. The Geometric Tool Company sells its workers employees' prior preferred stock. H. P. Hood and Sons, Inc. assist their workers to buy seven-per-cent preferred stock. International Silver Company employees may purchase either preferred or common stock. New England Power Association employees, as well as employees of the New England Power Construction Company, have the privilege of buying two-dollar dividend preferred shares of the association. The New Haven Gas Light Company employees subscribed formerly to the preferred stock of the Connecticut Gas and Coke Securities Company but this plan has been discontinued within the last year.

The 1927 plan of the New York, New Haven and Hartford Railroad offered employees seven-per-cent preferred stock;

the 1925 plan offered six-per-cent secured gold bonds. Plymouth Cordage Company employees purchase special employees' stock which receives the same rate of dividends as the common. Employees of the Screw Machine Products Corporation buy seven-per-cent cumulative preferred. The Stanley Works sells its common stock to workers. The Strathmore Paper Company employee stock, class B, ranks secondary to preferred but superior to common. Common stock has been purchased by employees of the United Shoe Machinery Corporation. Waldorf System, Inc. employees subscribe to no par value common stock. The Wire-mold Company sells six-per-cent cumulative participating preferred stock to its workers. The Yale and Towne Manufacturing Company employees subscribe for common stock.

The Builders Iron Foundry is the only company to offer bonds for its employees' investment.

Conditions of the subscription. Besides setting forth eligibility requirements, limitations on the number of shares subscribable and financial details of the subscription, most companies state in their plans other conditions which must be observed by the employees if they are to expect the company to fulfill its part of the agreement.

Some companies reserve the right to reduce the amount of the individual subscriptions in case the total amount of the offering is over-subscribed. Other companies definitely state that a written contract on a specified form for the subscription must be signed. This is usually a requirement in all

subscription plans although it is not always stated explicitly.

Practically all companies reserve the right to retire the entire issue at any time or to call or repurchase the stock whenever the necessity for such action arises.

A few companies allow their employees to buy stock on the condition that they do not use the privilege as a means of securing stock for speculative purposes. This restriction is usually stated in cases where stock is acquired by workers at considerably less than market price and is an attempt to prevent employees of companies whose stock is particularly marketable from indulging in a profitable brokerage business at the company's expense. Another attempt to reduce the possibility of speculation and to control somewhat the distribution of the ownership of the securities is seen in the restriction stated by some plans to the effect that the stock must be sold to the company or to other employees in the event of resale.

Almost all the plans state that any questions of difficulties arising in the operation of the plan are to be referred to the board of directors, or to the administration committee, for settlement, the decision of that body to be final.

A few companies reserve the right to substitute other securities in place of company stock should such a substitution seem desirable. This is obviously a method of adding to the attractiveness of the investment phase of the offer-

ing, although in the case of some public utility organizations, the reservation is made in the event that the company merges with another company or becomes a member of a holding group.

Some or all of these conditions are mentioned in the company offerings as will be seen in the following statements abstracted from the plans studied.

The Boston and Maine Railroad which allows any worker on the active pay-roll to subscribe for stock reserves the right to reject any application or to reduce the number of shares applied for by any employee. The Boston Woven Hose and Rubber Company which allows employees of two or more years' service to become subscribers definitely states that no subscriptions are compulsory. An employee of the Associated Gas and Electric System exercises his right to subscribe by signing a subscription agreement on the form prepared for the purpose and filing it with his local office. If the subscription is received before the fifteenth day of any month, it takes effect as of the first day of the calendar month next succeeding. If it is received after the fifteenth day of the month, it takes effect as of the fifteenth day of the calendar month next succeeding.

The Connecticut Power Company's descriptive circular of its stock offering definitely declares that its plan, which is open to any regular employee, places no worker under obligation to buy the stock and that neither his present nor future transactions with the company will be affected by his

decision to purchase or not to purchase stock. Eaton, Crane and Pike Company employees of one or more years' service may subscribe for not more than five hundred dollars' worth in any one year, and all subscriptions must be paid for within one year from the date of purchase. The employees of the Geometric Tool Company subscribe to employees' prior preferred stock with the understanding that the company may at any time retire the entire issue, at par and accrued dividends, and shall at all times have the option to call and purchase any or all shares of any holder of such stock.

The International Silver Company plan states that in making the offer it is understood that it will not be taken advantage of for the purpose of speculation and that any stock purchased on the plan will be sold by the employees only in case of extreme necessity. Workers of the New England Power Association subscribe upon the condition and agreement that the company may reject or accept subscriptions in whole or in part, and that all questions arising out of or concerning the subscription are to be decided by the directors of the company. It is also stated that the offering may be closed without notice without placing any obligation on the company except in the case where payments have been made; in instances where payments have been made, the money is to be refunded.

The New Haven Gas Light Company employees subscribed for stock with the understanding that some other security would be

substituted if the directors deemed it wise. The Plymouth Cordage Company plan states that its special stock can be issued only to employees and can be sold by the owners only to other employees, or to the company. Workers employed by the Screw Machine Products Corporation make their stock subscriptions with the express condition and agreement that all questions concerning the subscriptions, and the allotments and interests thereunder, are to be decided by the board of directors of the corporation in its discretion and their decisions to be considered as final and conclusive by all parties. A similar condition is expressed in the plan of The Stanley Works. The United Shoe Machinery Corporation plan carried a similar statement; namely, "all applications for and all allotments of stock hereunder shall be made upon the express condition and understanding that any and all questions which may arise as to the construction of the announcement of the offering, or the application and administration of the plan.....and all questions concerning subscriptions and allotment, shall be determined by the Executive Committee of the United Shoe Machinery Corporation in its discretion, and that such decisions shall be final and conclusive." It also states that no assignment, transfer, pledge or sale of any interest or right in the subscription is to be subject to attachment or levy. In the event of an assignment of the subscription by an employee, the subscription is cancelled and the rights of the employee

cease. The Waldorf System, Inc. plan states similar terms.

Employees of The Wiremold Company sign their subscriptions with the agreement that the company may at any time call the stock by vote of a majority in amount of the common stock and of a majority in amount of the preferred stock at its book value at the end of the last preceding year plus cumulated unpaid dividends, but in no event at less than eleven dollars per share. It is understood that the company reserves the right to decline all or any part of the stock subscribed.

Voting Rights. The right to vote is generally vested in the common stock of a corporation. Usually plans for the purchase of common stock state this, adding that the voting right will be withheld until such time as the subscription is fully paid for and the certificate of stock ownership is delivered to the subscriber. Since the stock remains with the company during the instalment period, in some cases it is voted by a trustee during that time. In one of the companies studied, the Boston Woven Hose and Rubber Company, the stock certificate is retained by the company for at least five years after the completion of the subscription payment. During this time presumably the stock is voted by a trustee or group of trustees, although no definite statement concerning the voting of the stock is made.

In some companies voting rights may be exercised by employees from the time the first subscription payment is

consent. The Waltham System, Inc. plan states similar powers.
Employees of The Waltham Company sign their subscription-

tions with the agreement that the company may at any time
call the stock by vote of a majority in amount of the common
stock and of a majority in amount of the preferred stock at
the book value at the end of the last preceding year plus
accumulated unpaid dividends, but in no event at less than
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trustees, although no definite statement concerning the vot-
ing of the stock is made.

In some companies voting rights may be exercised by
employees from the time the first subscription payment is

made, a certificate of ownership being delivered at that time.¹ Of the company plans analyzed, only that of The A. W. Burritt Company was found to follow this practice.

In companies where special employees' stock is sold, no voting power passes to the workers, as has been previously mentioned. Only a few of the plans studied make specific statements as to voting privileges.

The plan of the Associated Gas and Electric System contains the following statement with respect to voting rights:

"Until delivery to the respective employees, all stock purchased out of such employee's credits will not be entitled to participate in rights, if any, to subscribe for new stock, and all voting rights incident thereto shall be vested in and exercised by the committee. All certificates for such shares shall be issued either in the name of the committee or its nominee, and in the latter case, shall be duly endorsed in blank for transfer."

Common B stock purchased by The Carter's Ink Company workers is non-voting. Eaton, Crane and Pike Company states that each share of special preferred stock shall have one vote at meetings of the stockholders of the company. The circular issued by the Pacific Mills states that after the stock is fully paid for, the purchaser will receive a stock certificate which will entitle him to all the rights which any other stockholder has, including the right to vote, to receive dividends, or to sell his stock. The Plymouth Cordage Company workers who own ten shares of ten-dollar

¹Foerster and Dietel, op.cit., p. 29.

special stock are entitled to one vote at stockholders' meetings. Class A common issued by the Strathmore Paper Company has voting power; class B does not.

Financial aspects.

1. Price of the stock.

All the plans published by companies announcing the offering of their stock for employee purchase make definite statements as to the price at which the stock is to be sold, or if a definite amount is not indicated, the method by which the price is to be set is stated. In companies where informal plans for employee stock-participation exist without the publication of circulars which usually accompany the more formal offerings, the price is announced from time to time.

The general practice is to sell stock at the current market price, particularly in companies which have their stock listed on the exchange. In the event that the offer is to stand over an extended period of time, the method frequently used to adjust fluctuating market quotations is to sell the stock at a price which is the average of the market prices for a particular period, generally several months. The practice in small close corporations is to set the price at book value or at par. Issues of special employees' stock are usually sold at par regardless of the classification of the issuing unit.

Following is a description of the methods used and the prices set in some of the companies studied.

Bird and Son, Inc. which sold two issues of preferred stock to employees about ten years ago, fixed the price at less than the figure at which the bankers were selling. Whether the difference in price was less only by the amount of the underwriting charge is not stated. All of that stock has been called in, however.

The Boston and Maine Railroad prior preference stock was sold to employees at \$103 per share. At the time the offer was made, October 28, 1930, the stock was listed at \$107 on the Boston Stock Exchange. The board of directors of the Boston Woven Hose and Rubber Company fixed the price at four-fifths of what the board in its sole discretion decided as the fair market value of the stock on the date the offering was announced.

The price of The A. W. Burritt Company stock is fixed at the book value of the outstanding common stock of the company as determined by the inventory last preceding the date of the subscription, but in no case less than par.

The subscription price of Associated Gas and Electric System class A stock is fixed from time to time by the board of directors at substantially the market price. The price in the last offering (1929) was fifty-one dollars per share.

The Carter's Ink Company offered both its preferred and common at par, one hundred dollars. The Connecticut Power Company common stock was offered at sixty dollars per share in the 1931 plan. Employees of the Geometric Tool Company of New Haven paid fifty dollars per share, par value, for

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The price of The A. W. Burritt Company stock is fixed at the book value of the outstanding common stock of the company as determined by the inventory last preceding the date of the subscription, but in no case less than par. The subscription price of Associated Gas and Electric

System class A stock is fixed from time to time by the board of directors at substantially the market price. The price in the last offering (1920) was fifty-one dollars per share.

The Carter Ink Company offered both its preferred and common at par, one hundred dollars. The Connecticut Power Company common stock was offered at sixty dollars per share in the 1921 plan. Employees of the Geometric Tool Company of New Haven paid fifty dollars per share, per value, for

employees' prior preferred stock.

The Hartford Electric Light Company in 1925 sold its stock to workers at two hundred dollars per share when the market value was approximately \$285. This company has since become a part of the Connecticut Power Company and the stock bought in 1925 has been exchanged for the securities of the new organization.

The International Silver Company states in its plan that it will purchase its stock at the best possible price in the open market.

New England Power Association two-dollar dividend preferred shares were sold in 1930 at a subscription price of thirty-two dollars per share. New York, New Haven and Hartford employees purchased seven-per-cent preferred stock at par value in 1927. Pacific Mills sold its stock at cost, ninety-one dollars, in 1923.

In 1921 when the Plymouth Cordage Company offered stock to employees, the market value of its common was over two hundred dollars per share, twice the par value; therefore the employees' special stock was sold at twenty dollars per share, or twice its par value. The Screw Machine Products Corporation sold its preferred stock to employees at eighty-seven dollars per share, thirteen dollars below par. The Stanley Works, at its last offering in 1930, sold its common at forty-three dollars per share. Waldorf System, Inc. sold its common at twenty dollars plus four cents per share

for transfer in the 1929 offering. The Wiremold Company's six-per-cent cumulative participating preferred stock was sold at par, ten dollars, in 1926. The Yale and Towne Manufacturing Company common was sold at sixty-five dollars, the market price at the time of the last offering.

2. Terms of the purchase.
a. Instalment period.

Since the majority of employees receive relatively small incomes and do not have savings in large amounts, it is essential that some special arrangement be made to permit them to pay for the company stock for which they subscribe. Most workers are already familiar with the instalment method of payment since they are in the habit of purchasing household equipment, clothing, automobiles, radios and other articles on that basis. Since this is a somewhat painless method, it has been adopted by practically all companies which allow their employees to participate in the ownership of stock. To facilitate the bookkeeping and to reduce the handling of cash, these instalment payments are usually deducted in even amounts from the worker's compensation.

Some companies allow their employees to state a preference as to whether the deductions are to be made weekly, monthly or quarterly. Other companies specify that deductions will be made from the regular pay-roll without giving the participants the privilege of stating their choice. In general, the practice is to make weekly deductions from the compensation of rank and file workers and

for transfer in the 1923 offering. The Wisconsin Company's
six-per-cent cumulative participating preferred stock was
sold at par, ten dollars, in 1923. The Yale and Towne
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2. Terms of the purchase.
a. Installment period.

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handling of cash, these installment payments are usually
deducted in even amounts from the worker's compensation.
Some companies allow their employees to elect a
preference as to whether the deductions are to be made
weekly, monthly or quarterly. Other companies specify that
deductions will be made from the regular payroll without
giving the participants the privilege of electing their
choice. In general, the practice is to make weekly deduc-
tions from the compensation for cash and 45% workers and

monthly deductions from that of salaried employees. Usually a definite statement is made as to the duration of the installment period. This, of course, varies with the price of the stock and the size of the subscription, although it is unusual to find deferred payment periods extending over more than two years. Usually the description of the plan contains a clear statement as to the amount of the deductions as well as to the time they are to be made. The most common arrangement is to deduct twenty-five cents weekly for each share subscribed, or when monthly deductions are made, the amount is usually one dollar per share.

Some companies arrange for the deductions to be made on a percentage basis, a common method being the deduction of five or ten per cent of the subscription price in monthly instalments.

In some cases, the plans do not describe specific methods as to the time and amount of payment but merely state that the employee may make instalment payments in any amount which may be convenient for him. This practice is followed almost entirely in small companies where the number of subscribing employees is small.

Of the companies studied, practically all allow for the payment of stock subscriptions in some form of deferred payment plan, as will be seen from the following information taken from the plans published.

The Boston and Maine Railroad employees have deductions

made every month until the payment is completed. Boston Woven Hose and Rubber Company workers pay for their stock at the rate of ten per cent per month if the whole allotment is subscribed, of five per cent if half the individual allotment is subscribed.

The A. W. Burritt Company employees pay ten per cent of the purchase price in cash and the balance is made up by earnings of the stock. Eaton, Crane and Pike Company's plan states that subscriptions must be paid for within one year from the date of purchase.

The Geometric Tool Company form of subscription states: "I hereby subscribe for ... shares of employees' prior stock and agree to pay ... a share upon receipt of certificate therefor." Apparently no instalment plan is arranged.

The Hartford Electric Light Company formerly allowed for the distribution of payments over a period of one hundred weeks. International Silver Company employees may pay for their stock at a minimum rate of ten per cent per year. Landers, Frary and Clark employees pay for their stock in instalments distributed over a period of two years. New England Power Association workers have one dollar per month per share deducted from their pay. The New York, New Haven and Hartford Railroad Company allows for an instalment period of twenty months.

Plymouth Cordage Company employees paid for their stock in weekly instalments while those of the Screw Machine

made every month until the payment is completed. Boston
Hoven Ross and Rubber Company workers pay for their stock
at the rate of ten per cent per month if the whole allot-
ment is subscribed, of five per cent if half the individual
allotment is subscribed.

The A. W. Burling Company employees pay ten per cent
of the purchase price in cash and the balance is made up
by earnings of the stock. Eaton, Crane and Pike Company's
plan states that subscriptions must be paid for within one
year from the date of purchase.

The Domestic Tool Company form of subscription states:
"I hereby subscribe for ... shares of employees' stock
and agree to pay ... a share upon receipt of certificate
therefor." Apparently no installment plan is envisaged.

The Hartford Electric Light Company formerly allowed
for the distribution of payments over a period of one
hundred weeks. International Silver Company employees pay
pay for their stock at a minimum rate of ten per cent per
year. Langens, Ferry and Clark employees pay for their
stock in installments distributed over a period of two years.
New England Power Association workers have one dollar per
month per share deducted from their pay. The New York, New
Haven and Hartford Railroad Company allows for an installment
period of twenty months.
Plymouth Cordage Company employees paid for their stock
in weekly installments while those of the Brown Machine

Products Company pay for theirs in monthly instalments. Full payment for the stock must be completed in two years by employees of The Stanley Works. Strathmore Paper Company workers pay for their stock in full or in monthly instalments. The United Shoe Machinery Corporation arranged subscriptions to be paid for in twenty-eight equal monthly payments of one dollar per share; or 112 equal weekly payments of twenty-five cents per share. The subscription form issued by The Wiremold Company was the only one found to contain the statement that "payments may be made to suit the convenience of employees."

b. Savings fund.

Instead of selling stock on the usual deferred payment basis, some companies require the full payment of the stock in cash at the time of purchase. However, to make it possible for employees to take advantage of the offer, most companies which follow this practice have adopted one of two systems; either a small amount is deducted weekly from the employee's compensation, the total amount being exchanged for a stock certificate when sufficient funds have accumulated, or the company may lend the worker the required amount to buy the stock, deductions being made weekly or monthly to repay the loan. When this method is followed, the company holds the stock as collateral, delivering the certificate when the final payment has been completed. Interest at a moderate rate is usually charged. When

either of these plans is followed, the offer is usually described as a thrift or savings plan. Only a few of the companies have adopted this method, the instalment system being the most popular.

The Carter's Ink Company allows its employees to buy Ten Dollar Scrip Certificates at any time for cash, and these may be exchanged for an equivalent amount of preferred stock at any time when stock is offered. These certificates are credited with eight-per-cent interest, payable when exchanged for stock. Unredeemed certificates are cashed on demand with interest at four per cent.

H. P. Hood and Sons, Inc. encourage thrift on the part of their employees, at the employee's request, by withholding from his salary each week any amount specified to be applied toward the purchase of preferred stock. Landers, Frary and Clark workers acquire company stock by a similar method.

The New England Power Association advertised its stock subscription offering as the Savings Plan of the New England Power Association.

The Yale and Towne Manufacturing Company workers purchased their stock on a loan basis. That is, if the employee was unable to make full payment in cash, the company loaned the money with the stock as collateral, up to ninety per cent of the purchase price, the loan to be repaid within one year.

either of these plans is followed, the offer is usually described as a "right of purchase plan." Only a few of the companies have adopted this method, the balance of cases being the most common.

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H. F. Bond and Sons, Inc. encourage thrift on the part of their employees, and the employees' request, by withholding from his salary each week any amount specified to be applied toward the purchase of preferred stock. January, 1914, and Clark workers receive company stock by a similar method.

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The Yale and Town Manufacturing Company workers purchased their stock on a loan basis. That is, if the employee was unable to make full payment in cash, the company loaned the money with the stock as collateral, up to ninety per cent of the purchase price, the loan to be repaid within one

year.

The employees of some corporations, for example the International Harvester Company and the General Electric Company, buy investment certificates instead of company stock. These certificates represent a share in the ownership of a varied list of securities on the order of the investment trust method. This practice has been adopted by only a few companies and was not found to be in use in any of the New England companies studied. It is, of course, particularly advantageous for the use of organizations the stock of which is subject to wide market variations.

c. Dividend credits and interest charges.

Practically all companies credit the dividends earned on stock subscriptions only partially paid for to the employee's account thus reducing the amount owed by the worker. In addition to dividend credits, some companies credit interest on the accounts, the rate ranging from five to seven per cent. This practice is followed by those companies which describe their plans mainly as of the thrift or savings variety. When the loan system is followed, the custom is to charge the employee interest for the accommodation the company has allowed him. The rate is usually five per cent and deductions for the interest charge are made quarterly or at other specified times. Since the stock is registered in the employee's name under the loan system, dividends earned belong to him and are credited to his account. In normal times, the dividend credit usually takes

care of the interest on the unpaid balance.

The methods used in the company plans studied do not show much variation. The Boston and Maine Railroad allows interest at seven per cent on instalment payments. In the plan of the Boston Woven Hose and Rubber Company, all dividends on the stock are credited to the subscriber's account. Interest at five per cent is charged on unpaid balances.

The dividends earned on stock are allowed to accumulate until they form ninety per cent of the purchase price of the stock of The A. W. Burritt Company. Interest at five per cent annually is allowed and credited by the Associated Gas and Electric System. Dividends are credited and receive interest at the same rate.

The Connecticut Power Company charges interest monthly on unpaid balances at the rate of five per cent per year and deducts the charge from the employee's compensation. The dividends are credited to the worker's account. Eaton, Crane and Pike Company uses an identical method. The International Silver Company employees pay interest at five per cent on unpaid balances, the amount being payable annually on December 31. All dividends on stock purchased are paid directly to the employees. Landers, Frary and Clark charges interest at four per cent on unpaid balances and credits dividends.

New England Power Association employees receive interest

at the rate of six per cent yearly on instalments paid, the interest being credited quarterly. The New York, New Haven and Hartford Railroad allows interest at seven per cent on unpaid balances and adjustments are made for any dividends accumulating. The Pacific Mills charged employees annual interest of five per cent, payable quarterly, on incomplete subscriptions. The Plymouth Cordage Company allowed interest at six per cent on instalments paid.

The Screw Machine Products Corporation charged interest at the rate of six per cent while the purchase was in process and the employees were paid the seven-per-cent dividend on the par value of the stock subscribed. The Stanley Works charged interest at five per cent on unpaid balances and allowed dividend credits as part-payment of the subscription. The Strathmore Paper Company allows interest at seven per cent annually on instalments paid. The Waldorf System, Inc. charged six-per-cent interest on unpaid balances and allowed dividend credits as part-payment of the subscriptions.

The Yale and Towne Manufacturing Company employees pay interest at five per cent on unpaid balances of loans incurred at the time of subscription and receive dividend credits since they become the owners of stock purchased at the time of initial payment, the stock being held by the company as collateral.

d. Company contributions.

Employee investors have a distinct advantage over the

at the rate of six per cent yearly on installments paid,
the interest being credited quarterly. The New York, New
Haven and Hartford Railroad allows interest at seven per
cent on unpaid balances and adjustments are made for any
dividends accumulating. The Pacific Mills charged employees
annual interest of five per cent, payable quarterly, on in-
complete subscriptions. The Plymouth Cordage Company allowed
interest at six per cent on installments paid.

The Sewer Machine Products Corporation charged interest
at the rate of six per cent while the purchase was in process
and the employees were paid the seven-per-cent dividend on
the par value of the stock subscribed. The Stanley Works
charged interest at five per cent on unpaid balances and
allowed dividend credits as part-payment of the subscription.
The Brunswick Paper Company allows interest at seven per
cent annually on installments paid. The United States, Inc.,
charged six-per-cent interest on unpaid balances and allowed
dividend credits as part-payment of the subscription.

The Yale and Towne Manufacturing Company employees pay
interest at five per cent on unpaid balances of loans advanced
at the time of subscription and receive dividend credits
since they become the owners of stock purchased at the time
of initial payment, the stock being held by the company as
collateral.

4. Company contributions.

Employees have a distinct advantage over the

ordinary stock purchaser since a number of companies make contributions toward the payment of stock or pay bonuses on stock which is retained over an extended period. This second type of company contribution seems to reduce the chances of speculation with employee-owned stock, and since the bonus payment is dependent upon the worker's remaining in the company's service, it is considered by some organizations to be a measure in the reduction of labor turnover. It is doubtful if that purpose is of any particular strength, however, especially among rank and file workers whose stock ownership is usually limited to a very few shares. The practice of granting extra payments for stock retention was originated by the United States Steel Corporation,¹ and since then has been adopted widely. Of the thirty-five company plans studied, about one third were found to have some method of making extra payments to their workers who subscribed for company stock. In some cases these payments are of sufficient size to reduce the cost of the stock to the employee considerably below the market price.

For each \$1.20 deducted from the compensation of an employee, the Associated Gas and Electric System companies contribute fifty cents out of their own funds and it is applied to the further credit of employees' accounts toward the payment of the subscription price.

¹Foerster and Dietel, op.cit., p. 31.

ordinary stock purchaser since a number of companies make contributions toward the payment of stock or pay bonuses on stock which is retained over an extended period. This second type of company contribution seems to reduce the chances of speculation with employee-owned stock, and since the bonus payment is dependent upon the worker's remaining in the company's service, it is considered by some organizations to be a measure in the reduction of labor turnover. It is doubtful if that purpose is of any particular strength, however, especially among weak and ill workers whose stock ownership is usually limited to a very few shares. The practice of granting extra payments for stock retention was originated by the United States Steel Corporation,¹ and since then has been adapted widely. Of the thirty-five company plans studied, about one third were found to have some method of making extra payments to their workers who subscribed for company stock. In some cases these payments are of sufficient size to reduce the cost of the stock to the employee considerably below the market price. For each \$1.00 deducted from the compensation of an employee, the Associated Gas and Electric System companies contribute fifty cents out of their own funds and it is applied to the future credit of employee accounts toward the payment of the subscription price.

¹Hooper and Hotal, op. cit., p. 31.

The Dennison Manufacturing Company employees receive stock under the Employees Industrial Partnership Plan according to the number of years they have been in the service of the company. Since they do not contribute toward the payment of the stock, and since the stock must be surrendered when connection with the company ceases, the plan can hardly be classified as a stock-ownership scheme.

Employees of the Fafnir Bearing Company who buy stock through regular channels since the company has no formal purchase plan, receive additional compensation equal to fifty per cent of the dividend declared. The treasurer reported that this arrangement applies only to a limited number of employees, and does not apply to members of the board of directors.

The Geometric Tool Company which sells seven-per-cent employees' prior preferred stock pays additional dividends as follows:

<u>Common Stock Dividend</u>			<u>Employees' Stock Extra</u>		
12	per	cent	2	per	cent
13	"	"	3	"	"
14	"	"	4	"	"
15	"	"	5	"	"
16	"	"	6	"	"
17	"	"	7	"	"
18	"	"	8	"	"

The statement continues: "Provided that if more than eighteen per cent is paid on common stock in any calendar year, the holders of employees' prior preferred stock shall not be entitled to more than the eight per cent above described, and provided further, that in the event that any stock dividends shall be paid upon common stock, the extra dividends herein provided for on employees' prior

The Denison Manufacturing Company employees receive stock under the Employee Industrial Partnership Plan according to the number of years they have been in the service of the company. Since they do not contribute toward the purchase of the stock, and since the stock must be surrendered when connection with the company ceases, the plan can hardly be classified as a stock-savings scheme.

Employees of the Federal Reserve Company who buy stock through regular channels since the company has no formal purchase plan, receive additional compensation equal to fifty per cent of the dividend declared. The Froedman reported that this arrangement applies only to a limited number of employees, and does not apply to members of the board or directors.

The Westinghouse Tool Company which sells stock per cent employees' prior preferred stock were additional dividends as follows:

Common stock Dividend	Employees' Stock Fund
12 per cent	2 per cent
13 " "	3 " "
14 " "	4 " "
15 " "	5 " "
16 " "	6 " "
17 " "	7 " "
18 " "	8 " "

The statement regarding "Preferred Stock" is more than sufficient to show that it is paid on common stock in any calendar year, the dividend of employees' prior preferred stock shall not be entitled to more than the eight per cent above described, and provided further, that in the event that any stock dividends shall be paid upon common stock, the extra dividends herein provided for on employees' prior

preferred stock shall be paid in cash and not in stock, and provided further, that in no event shall an extra dividend in excess of eight per cent be paid in any calendar year on employees' prior preferred stock."

Employees of H. P. Hood and Sons, Inc. who own the company's seven-per-cent preferred stock receive an additional one per cent on their investment.

Employees of the New England Power Association receive additional compensation for each share owned which increases from twenty-five cents at the end of the first year to one dollar at the end of the fourth year, a similar amount being paid also at the end of the fifth, sixth and seventh years. The Screw Machine Products Corporation, during the process of purchase and also until five years had elapsed, paid an extra five dollars per share to each stockholder yearly.

The Stanley Works publish the following statement in its plan:

"If he (the employee) keep the stock and in January of each year commencing December, 1930, will exhibit his certificate to the treasurer of the company, together with a statement from a proper official that has been continuously in the employ of the company during the preceding year, and has shown a proper interest in its welfare and progress, he will in each of said five years receive a special benefit cash payment of one dollar per share for each share of stock. A subscriber who has not fully paid his subscription by January in any year, if his subscription is still in force, and he has otherwise fulfilled all conditions of continuous and faithful service as above provided, will be credited on his subscription account, with the special benefit of one dollar per share."

In addition to the regular seven-per-cent dividend

preferred stock shall be paid in cash and not in stock, and provided further, that in no event shall an extra dividend in excess of eight per cent be paid in any calendar year on employees' prior preferred stock."

Employees of E. F. Hood and Sons, Inc. who own the

company's seven-per-cent preferred stock receive an additional

one per cent on their investment.

Employees of the New England Power Association receive

additional compensation for each share owned which increases

from twenty-five cents at the end of the first year to one

dollar at the end of the fourth year, a similar amount being

paid also at the end of the fifth, sixth and seventh years.

The Brown Machine Products Corporation, during the progress

of purchase and also until five years had elapsed, paid an

extra five dollars per share to each shareholder yearly.

The Stanley Works confirm the following statement in

its plan:

"If he (the employee) keeps the stock and in January of each year commencing December 1920, will submit his certificate to the treasurer of the company, together with a statement from a proper official that he has been continuously in the employ of the company during the preceding year, and has shown a proper interest in its welfare and progress, he will be paid of said five dollar bonus a special benefit each segment of one dollar per share for each share of stock. A shareholder who has not fully paid his subscription by January 1st of any year, if his subscription is still in force, and he has otherwise fulfilled all conditions of continuous and faithful service as above provided, will be credited on his subscription account, with the special benefit of one dollar per share."

In addition to the regular seven-per-cent dividend

earned by employee stock, class B, of the Strathmore Paper Company, service dividends based on periods of service with the company are paid as follows:

One year up to five years.....	1	per	cent
Five years..... ten years.....	2	"	"
Ten years..... fifteen years.....	3	"	"
Fifteen years. twenty years.....	4	"	"

Twenty years and over, and when held by persons who are sixty years of age, and have retired from the service of the company after being in its employ continuously for twenty-five years or more, five per cent.

The Yale and Towne Manufacturing Company, as an extra compensation for the services to the company, will pay four dollars yearly on each share purchased under the plan for a period of five years on each anniversary of the purchase, provided that on each anniversary the employee is still in the company's service and that the stock so purchased has not been pledged for loans unless with the knowledge and consent of the company.

e. Other plans.

Employee stock-participation is not always the result of stock-purchase plans; it is sometimes effected by a profit-sharing plan under which the worker is required to make no financial investment, the stock being given to him as a reward for long and faithful service or for some similar reason.

While the company plans studied were mainly concerned with the actual purchase of stock by employees, three organizations were found to have adopted profit-sharing

owned by employee stock, class B, of the Baltimore Paper Company, service dividends based on periods of service with the company are paid as follows:

One year up to five years.....	1 per cent
Five years.....	2 "
Ten years.....	3 "
Fifteen years.....	4 "

Twenty years and over, and when paid by persons who are sixty years of age, and have been fired from the service of the company after being in the employ continuously for twenty-five years or more, five per cent.

The Yale and Towne Manufacturing Company, an active compensation for the services to the company, will pay four dollars yearly on each share purchased under the plan for a period of five years on each anniversary of the purchase, provided that on each anniversary the employee is still in the company's service and that the stock so purchased has not been pledged for loans unless with the knowledge and consent of the company.

e. Other plans.

Employee stock-participation is not always the result of stock-purchase plans; it is sometimes effected by a profit-sharing plan under which the worker is required to make no financial investment, the stock being given to him as a reward for long and faithful service or for some similar reason.

While the company plans studied have rarely concerned with the actual purchase of stock by employees, three organizations were found to have adopted profit-sharing

systems which result in the distribution of stock or dividends on stock to employees. Of these plans, that of the Dennison Manufacturing Company is best known since it has received considerable publicity.

Briefly,¹ this is a plan whereby one-third of the earnings remaining after the payment of the preferred stock dividends is distributed to employees of two or more years' service in ten-dollar partnership certificates (non-transferable, non-negotiable and non-voting). The remaining two-thirds is distributed in the form of managerial industrial stock which carries a voting right with it. Dividends on both classes of stock are paid in cash at the end of each year. When an employee leaves the service of the company, his partnership certificates may be exchanged for second preferred stock. Since two-thirds of the partnership fund are assigned to the so-called "managerial partners", it is evidently aimed at giving a financial share of the profits to those who are responsible for the operations of the company, at the same time providing sufficient voting strength to limit the chance of variation in company policy.²

The New Haven Gas Light Company has recently discontinued its plan of crediting quarterly every employee's account with eight per cent on the wages received for the

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See Appendix for a full description of the plan.

²Tipper, H., "Industrial Partnerships Depend upon Approach rather than on System Used," Automotive Industries, pp. 932-933, November 4, 1920.

systems which result in the distribution of stock or dividends on stock to employees. Of these plans, that of the Denham Manufacturing Company is best known since it has received considerable publicity.

Basically, this is a plan whereby one-third of the earnings remaining after the payment of the preferred stock dividends is distributed to employees of two or more years' service in full-time permanent positions (non-union, full-time, non-negotiable and non-union). The remaining two-thirds is distributed in the form of management industrial stock which carries a voting right with it. Dividends on both classes of stock are paid in cash at the end of each year. When an employee leaves the service of the company, his partnership certificate may be exchanged for second preferred stock. Since two-thirds of the partnership fund are assigned to the so-called "management partners", it is evidently aimed at giving a financial share of the profits to those who are responsible for the operations of the company, at the same time providing sufficient voting strength to limit the chance of variation in company policy.

The New Haven Gas Light Company has recently discussed its plan of crediting annually every employee's account with eight per cent of the wages received for the

preceding three months; the amount exchanged for preferred stock of the Connecticut Gas and Coke Company at the end of the year. This plan required no contribution on the part of the worker.

The Package Machinery Company of Springfield has a profit-sharing plan which is unique. It is described by the treasurer as follows:

"Each year we give to those of our employees who have completed a year of service, what we term a compensation warrant, which automatically gives the employee one hundred dollars' insurance without cost. In addition to this, the warrant entitles the holder to share in the profits of the company to the extent of the dividends declared and paid on two shares of common stock. For instance, if an employee has six warrants, these warrants have an earning power equivalent to the dividends on twelve shares of common stock, which is paid quarterly as dividends are declared. This warrant becomes valueless when the employee leaves the company, with the exception that he has the privilege of converting it to a regular insurance policy."

Special adjustments.

1. Cancellation by the employer.

All formal published employee stock-purchase plans contain specific statements as to when and under what conditions the plan will be cancelled by the company. The most common reason for cancellation by the company is the termination of the employee's service because of resignation or discharge. Other reasons frequently stated are failure to make instalment payments at the expiration of a specified time after the due date, and the failure to resume employ-

ment when requested after a lay-off period. A few companies note that assignment of the stock before completion of payments constitutes sufficient reason for cancellation.

Some companies which make stock offerings from time to time require that a specified amount of stock subscribed for in previous offerings must be retained if participation in subsequent offerings is anticipated. Failure to comply with this may result in cancellation.

The usual adjustment made when the company cancels the subscription is to refund payments plus interest. Dividend credits are usually withheld.

Following are examples of statements concerning company cancellations and the adjustments made at such a time.

The Boston and Maine Railroad plan cancels subscriptions in whole but not in part for the following reasons:

- (a) Upon termination of service of the subscriber, either voluntarily or by discharge
- (b) Upon pledge or assignment by the subscriber of his rights under the subscription
- (c) Upon discontinuance of payments by the subscriber for more than three consecutive months.

Subscriptions for Boston Woven Hose and Rubber Company stock are automatically cancelled with either the resignation or dismissal of the employee, when the payments made plus interest at five per cent are refunded.

The Associated Gas and Electric System publishes the following statement in its plan regarding termination of

employment:

"In case an employee shall at any time cease to be in the employ of a company at the time forming a part of the Associated System, by resignation, discharge, or otherwise; or shall violate any of the terms of this plan, or of any subscription made pursuant thereto, or the company by which at the time he is employed shall cease to be a part of the Associated System, the committee, at its option, will either (a) deliver to such employee all shares of stock previously paid for in full with the employee's credits for deductions from compensation, company contributions, interest and dividends as aforesaid, accompanied with payment in cash of any unexpended amount standing to such employee's credit, and the delivery of any stock dividends standing to such employee's credit, subject to adjustment for fractional shares, or (b) pay such employee in cash only the sum of the deductions theretofore made from such employee's wages or salary, with interest thereon at the rate of five per cent per annum, compounded semi-annually, but without additions for company contributions or dividends or interest thereon."

The Connecticut Power Company plan states that if an employee for any reason severs his connection with the company during the period of payments, all money paid will be refunded, less an adjustment for interest charges, rights received, allowances or other charges or credits resulting from the subscription.

Whenever a Dennison Employee Industrial Partner resigns from the employ of the company, is discharged or dies, his position as an Employee Industrial Partner terminates, his rights to dividends upon his employee stock cease, and he or his beneficiaries are required to return the stock to the company. In exchange, the company, subject to the provisions

of the Articles of Association and By-Laws, issues to him, or in case of his death directly to his beneficiaries, cash for one-half of the shares of employee stock surrendered and for the other half, one share of preferred stock for every ten shares of employee stock, paying in cash at par for any additional shares (less than ten) then remaining.

The Eaton, Crane and Pike Company plan states:

"If and when the employment by the company of any holder of special preferred stock shall be terminated, otherwise than by death, retirement on pension, or for age or permanent disability, the company shall have the right and option to purchase his shares at par and accrued seven-per-cent dividends, on notice, and with termination of rights as in case of redemption."

The New England Power Association publishes the following concerning cancellation by the company, payments plus interest being refunded:

"A subscription, unless fully paid, shall be cancelled in full, but not in part

1. on a subscriber's leaving the service of the company, either voluntarily or otherwise;
2. upon the liquidation or termination of the association and (or) upon the call of all the two-dollar preferred shares.

In the Pacific Mills plan, the following statement is printed:

"In case any purchaser leaves the service of the company for any reason, or in case any purchaser fails to make any payment that is due from him, or in case any purchaser tries to pledge, transfer or sell his rights, the company may, at its option, and at any time cancel his purchase agreement and in such case will return to him the amount he has paid in plus interest

at five per cent, but without any credits on account of dividends."

Should the Plymouth Cordage Company determine that the scheme is disadvantageous to all concerned, it may retire the whole issue of stock at one-eighth of the value of the common stock; that is to say, at a premium.

The Screw Machine Products Corporation cancels subscriptions for the following reasons:

1. By
 - (a) voluntarily leaving the service, or
 - (b) being discharged for cause, or
 - (c) failing to resume employment when requested.

2. By discontinuing payments without the consent of the corporation for three consecutive months.

The cancellation of a subscription forfeits all interest and benefits which the subscriber would have received if he had continued it. There will be returned to him the full amount of payments made on the subscription cancelled with interest at six per cent, no credit being allowed for dividends or for special allowances, and no interest being charged on deferred payments. A subscription may not be cancelled in part.

Similar statements are published by The Stanley Works and the United Shoe Machinery Corporation.

2. Cancellation by the employee.

Practically all the plans studied permit employees to cancel their subscriptions on request. This provision is particularly important because an employee's

stock subscription account frequently represents his total savings and if emergency arises the money should be as accessible as possible. The employee is also apt to have more faith in the plan if it includes the cancellation-on-request clause since he feels that if it does not suit his particular needs, he can easily withdraw. Usually the request for cancellation with the reason involved, must be put in writing and a certain number of days, generally ten to thirty, allowed for action on it. In small companies, particularly close corporations, the approval of the board of directors or the stock administration committee must be secured.

As it has been already stated in the section dealing with cancellation of subscriptions by the company, the subscription is generally cancelled when an employee severs his connection with the company, although a few organizations allow for the completion of the payments and the delivery of the stock.

When a cancellation is made, usually it is required that the entire amount of the subscription be cancelled although a few companies permit partial cancellations.

Regardless of the reason for cancellation, the adjustment commonly made is the refund of payments plus interest credits although some companies withhold the interest if the subscription is cancelled because of the worker's discharge from the company's service. Bonuses and other extra payments

including dividends are forfeited when the subscription is cancelled.

Stock involved in cancellations is usually resold to other employees remaining with the company.

The procedures followed in regard to cancellations by the employee in some of the companies studied are noted below.

Boston and Maine Railroad employees may cancel stock subscriptions upon written request. If the request is approved, the payments plus interest at five per cent, compounded semi-annually will be returned.

The Boston Woven Hose and Rubber Company sets forth the following in regard to cancellation:

"This agreement may be cancelled either in whole or in part, with the assent of the board of directors, at the request of the employee, and is automatically cancelled with either the resignation or dismissal of the employee. Upon cancellation, the employee shall be refunded all payments made plus five per cent interest and in addition an amount as follows:

Within one year.....	nothing additional	
After one and within two years.....	20%	"
After two and within three years.....	40%	"
After three and within four years.....	70%	" of

any excess of the then market price over the purchase price of the stock to the employees. If the board of directors does not assent to the cancellation of the agreement, or if the employee resigns or is discharged, he shall be refunded only the payments made by him plus interest thereon at the rate of five per cent per annum."

Associated Gas and Electric System employees may cancel subscriptions or reduce the amount subscribed for upon filing application for such action, provided such application is approved by the employee's immediate superior, by the

operating executive in charge of the employee's division or district, and by the administration committee, for reasons satisfactory to all. In the case of a cancellation, the amount of the company contributions already credited shall be reduced to such an amount as would have been contributed toward the reduced subscription and the remainder shall revert to the contributing company. But in any event, the employee will be entitled to receive the amount of his payments through pay-roll deductions with interest at five per cent.

The Eaton, Crane and Pike Company will at any time purchase at par and accrued seven-per-cent dividends any shares of special preferred stock which an employee wishes to sell for reasons satisfactory to a committee of five members. This group is known as the employees' stock committee of which two members are elected annually by employee stockholders from their own number.

A subscription to New England Power Association stock may be cancelled at the employee's request and he will receive a refund of his payments plus interest at six per cent.

Any employee of the Pacific Mills may cancel his purchase agreement at any time before payment in full for his stock by giving the company a written notice of cancellation on a form provided by the company for such purpose. In such case the amount he has paid will be returned to him plus five-per-cent interest, but he is not entitled to receive any credits which have been allowed to him on account of dividends. A

similar adjustment is made by the Screw Machine Products Corporation in the event of the employee's desire to terminate the subscription.

The United Shoe Machinery Corporation plan states the following with respect to cancellation:

"In case prior to payment in full for the shares allotted to him, a subscriber shall so desire, he may cancel his subscription by notice in writing delivered to the treasurer of the United Shoe Machinery Corporation. The subscription of employees whose employment is discontinued, whether voluntarily or otherwise, prior to such payment in full shall also be cancelled. In the event of cancellation of subscription, the subscriber shall be entitled to have refunded to him the amounts theretofore paid by him or deducted from his compensation in the way of monthly or weekly instalments under the purchase plan with interest thereon at the rate of six per cent per annum, less, however, any amounts theretofore paid him hereunder as dividends or otherwise. Upon cancellation any and all other rights or interests of the subscriber hereunder or arising from his subscription or the allotment of shares to him hereunder or in or to any of the shares so allotted shall cease."

3. Delinquent payments.

The usual reasons for allowing workers to delay the payments on their subscriptions are illness, temporary disability, or lay-off. To avoid questions which might arise in any of these cases, most company plans state definitely that arrangements can be made to meet the needs of individuals as the occasion requires. In most instances, the employee does not have to lose interest, dividend or special credits when he is unable to meet contract payments for any of the reasons specified above. Neither is the time he loses because

of temporary unemployment due to the closing of the plant counted against his continuous service record which figures so importantly in the payment of extra credits. Usually the period of suspension of payments is limited to three months and after that the subscription is cancelled, the payments being refunded plus interest, as if the employee had resigned.

The following statements have been taken from various company publications to illustrate how this need is cared for. Boston and Maine Railroad subscribers out of service, temporarily on leave of absence, or because of disability, reduction in force, suspension, or other reasons, may pay instalments directly to the treasurer of the railroad for a period not to exceed six months, except that in meritorious cases, the period may be extended by the railroad.

In case the name of any employee of the Associated Gas and Electric System is temporarily taken off the regular payroll by reason of leave of absence, temporary lay-off on account of reduction in force, illness, accident or other disability, credits to such employee's account for company contributions will be suspended during the period in which credits are not made for deductions from his wages or salary. In case such period lasts longer than six months, the committee has the right to treat such employee as if he had resigned.

When, due to unexpected circumstances, an employee finds himself unable to continue the payments, the Connecticut Power Company, after investigation of the circumstances, may

at its option, cancel the agreement and refund the money paid, less an adjustment for interest charges, rights received, and allowances.

In case of non-employment of any employees of the Pacific Mills due to a mill being shut down, or in case any employee is given a leave of absence or is temporarily laid off on account of reduction in force, or sickness, he may suspend his payments for the period the mill is shut down or during his leave of absence or lay-off, but not exceeding three months unless the company expressly agrees to extend the period.

The Screw Machine Products Corporation subscribers whose employment has been suspended by reason of the temporary closing of the plant, and who continue ready and willing when required to resume their service, will not be deprived of the special allowance of five dollars per share per year during such suspension, although they may have accepted other employment during that time. As presumptive evidence of such willingness to resume employment, the corporation will accept

1. from the holders of fully paid subscriptions, the exhibition of the original certificate in October of each year, and
2. from the holders of partly paid subscriptions, the retention by them of their subscriptions during the preceding year.

The suspension period is not counted as part of the three years limited for the full payment of the subscriptions, and during that time, monthly payments will not be required.

though if so desired by the employees, they may be continued. In case of the death during a suspension period of any such subscriber and continuing employee, his estate or his beneficiary, is entitled to the same benefits accruing to his subscription, as if he had died while under employment. Failure to present the original certificate as provided, or the withdrawal of a partly paid subscription, or the failure to resume employment when requested, will constitute a relinquishment of all benefits referred to in the plan.

With respect to delinquent payments, the plan of the Waldorf System, Inc. contains the following statement:

"If the employee shall make any assignment hereof or fails to make any instalment payment or interest payment for a period of twenty-eight days after it is due, or if he voluntarily leaves the employ of the company or is discharged whether with or without cause, the company may cancel the purchase agreement but it shall notify the employee and give him a period of thirty days within which to pay the entire balance of the purchase price remaining unpaid on his shares. If payment of such balance is not paid within said thirty days the company, may without notice, elect to return to the employee the instalments theretofore paid by the employee on account of his agreement together with the interest at the rate of six per cent per annum thereon to the date of such election but without any credit or allowance for dividends that may have been credited against the purchase price."

4. Adjustment in the case of the death of the employee.

In the event of the employee's death, practically all companies allow the beneficiary to complete the subscription, meanwhile receiving the credits which would have been granted the employee had he lived. However, if the

beneficiary is not interested in completing the subscription, he has the option of receiving a refund of the payments made plus the interest credits, and in addition, in some companies, the extra credits which have accrued through company contributions.

In the case of completed stock subscriptions, the company occasionally requires that it be allowed to repurchase the stock or in the event that the company does not take it, it may restrict its sale by the beneficiary to only those who are in the company's service. This practice is followed in some small corporations and is obviously an attempt to limit the diffusion of ownership. These adjustments usually apply to employees who have been permanently disabled, as well as to those who have died while they were in the service of the company.

Almost all of the plans studied indicate adjustments similar to the foregoing which would be made in the event of the worker's death. Examples of the adjustments specified in a few company plans are given below.

The statement published by the Boston and Maine Railroad concerning this point follows:

"If a subscription is cancelled because of permanent disability or death, the entire amount previously paid will be refunded, to which will be added, for each share, interest at the rate of seven per cent per annum compounded quarterly to the date of cancellation, together with a proportionate part of the excess of \$103 of the then market value of a full-paid share. In lieu of receiving this refund, the subscriber, in case of permanent disability, may continue the

payments until the subscription is completed."

The Boston Woven Hose and Rubber Company publishes a similar statement:

"The employee, or his beneficiary, in case one is named, and if not, his estate, shall have the privilege of continuing payments on the stock subject to the same terms and conditions as if the employee were still in the company's employ; or if the employee, or his beneficiary, or estate, shall not elect to take advantage of this privilege, the company will purchase the stock at the market price at that time. It is the company's present plan to turn into a pool all stock acquired through cancellations, to be thereafter sold to employees on the above plan."

In the event of the death of an employee of the Associated Gas and Electric System, all stock purchased, with his credits, and cash standing to his credit, will be delivered and paid to his estate.

In the event of the death of an employee common stockholder, The Carter's Ink Company reserves the privilege of allowing the stock to remain in the name of the widow for her life only.

When an Employee Industrial Partner of the Dennison Manufacturing Company dies, his position as an Employee Industrial Partner terminates. His beneficiaries return his stock to the company, and in exchange, receive cash for one-half of the shares of employee stock surrendered, one share of preferred stock for every ten shares of employee stock, and payment in cash at par for any additional shares (less than ten) then remaining.

The Eaton, Crane and Pike Company plan states:

"In case of the death of an employee holder of special preferred stock, the company will redeem his shares by payment of \$11 per share and accrued dividends. The company shall have the right at any time to call and redeem in like manner any shares outstanding, after notice to the holder of record, mailed at least thirty days prior to the redemption date named therein, on which date the right to vote and to receive further dividends shall cease."

In the event of the death of a subscriber of the New England Power Association, the subscriber's legal representative receives the full amount of payments made with interest credited at six per cent.

The widow, widower, or children of a deceased employee of the Plymouth Cordage Company may hold his or her stock; or it can be sold to another employee or to the company. The restriction on the transfer of stock is to prevent its being absorbed by outside investors.

The Screw Machine Products Corporation makes a more detailed statement which reads as follows:

"If a subscriber dies or is permanently disabled while rendering faithful service during such five years' period, payment will be made to his estate as follows:

- (a) If his subscription is fully paid and he has received and not disposed of his certificate of stock, the corporation will pay a sum equal to five dollars per share for each of the five years not then expired, and also a pro rata amount of the special fund arising from forfeitures.
- (b) If his subscription has not been paid in full, the corporation will pay the money theretofore paid in by him on account, together with the dividends paid on the stock subscribed for, the special allowances for the entire five years' period and a pro rata share of the amount of the special fund

mentioned, less interest at six per cent per annum on deferred instalments.

- (c) If at the time of death or permanent disablement the subscription has been fully paid for but certificate not yet delivered, the corporation will turn over the certificate, as first stated above, together with the additional payments from the forfeitures fund."

Adjustments made by The Stanley Works are almost identical with the provisions stated by The Screw Machine Products Corporation.

In case of the death of an employee of the Strathmore Paper Company, stock held by such employee must be tendered to the board of directors by the administrator or executor of the deceased employee within thirty days from the appointment of the administrator or executor, and within thirty days the company may tender purchase of such stock at \$10.30 per share plus accumulated dividends. If in any instance the company fails to exercise its option, the stock offered may be sold to any person.

The plan issued by the Waldorf System, Inc. contains the following provisions:

"In the event of the death of the employee after the company has made the election to cancel the purchase agreement, the company may in lieu of the refund or accounting to the employee make refund or account to the employee's designated beneficiary if living or in default of such beneficiary, the employee's executor or administrator in like manner as if such person were the employee himself, and upon so doing all liability and obligation of the company under or growing out of this agreement shall be taken as satisfied and terminated.

In case the employee dies before paying the full purchase price of the stock allotted to him,

and before the company has sent notice to the employee that it has elected under the provisions of the foregoing paragraph to cancel the purchase agreement, the employee's beneficiary.....may within sixty days of the employee's death pay up the entire balance of the purchase price, together with interest. If such payment is not made within said sixty days, the instalments already paid by the employee together with the interest (but without any dividends that may have been credited against the purchase price) may be refunded either by the company paying over the same to the beneficiary.....and thereupon the agreement shall end and all liability and obligation of the company shall be taken as satisfied and terminated."

In the event of the death of an employee of The Yale and Towne Manufacturing Company at any time during the five-year period, the stock purchased would belong to his estate, but the estate would be liable for any balance due on any loan made by the company under the plan. The extra compensation would cease, of course, with the employee's death.

5. Adjustment in the case of pensioned employees.

Since the practice of granting pensions to industrial employees is a decidedly restricted one, the necessity for adjustments for stock owned by pensioned employees is limited. A few companies mention in their stock-participation plans that pensioned or retired employees may hold their stock, or in the case the contract is incomplete, the privilege of completing it is generally granted. If the retired employee does not care to follow either of these methods, usually it is possible for him to sell his stock to the company, or if the subscription is incomplete, to receive

a refund of his payments plus interest credits.

Only three of the company plans studied were found to contain statements concerning this type of adjustment.

Boston and Maine Railroad subscribers retired and carried on the pension roll may complete their payments by pay-roll deductions. Stock fully paid for may be retained as in the case of any stockholder.

In case a common B stockholder retires from the service of The Carter's Ink Company on account of old age, the company allows him the privilege of retaining his stock as if he were in the active service of the company.

The Eaton, Crane and Pike Company will redeem shares owned by retired employees by payment of eleven dollars per share and accrued dividends. The company has the right at any time to call and redeem in like manner any shares outstanding, after notice to the holder of record, mailed at least thirty days prior to the redemption date named therein, on which date the right to vote and to receive further dividends ceases.

6. Adjustment or cancellation in depression periods.

Since the company plans for employee stock-participation studied were for the most part originated in a period of prosperity, none of them contain provisions for an extended depression period other than the statements made concerning the privilege of suspending payments for a limited time as has already been described in the section on delinquent

payments. Some of the companies had experience with employee stock-ownership during the depression years of 1921 and 1922 when the tendency of employees to sell out was observed, at prices far below cost in an effort to save some of their investment rather than to hold on for the return to normal conditions. This selling-out procedure may have been the result of hysteria on the part of some employees but doubtless it was essential with some workers as it is probable that their company stock represented their entire savings.

The provisions for the granting of bonuses and extra payments for the retention of stock over an extended period, the selling of stock at prices far below market price, and the company contributions towards the purchase price as well as the elastic cancellation and repurchase clauses of some plans are probable results of experiences with employee-investors in previous depressions. Even after the stock market crash of 1929, the low market prices rarely fell below the employee purchase price, and when this did occur the drop was slight and temporary.¹ This was found to be the result of an investigation conducted by the Princeton Industrial Relations Section of twenty well-known companies representing a cross-section of American industry, which sell stock to their employees. A similar report² was made by the National Industrial Conference Board which stated that stock-participation plans emerged from

¹Bowers, G. A., "Stock Market Adjustments; Employee Stock-Ownership Plans," Factory and Industrial Management, Vol. 79, p. 1100, May, 1930.

²"No Setback Suffered by Employee Stock Subscription Plans," Commercial and Financial Chronicle, Vol. 131, pp. 49-50, July 5, 1930.

the severe test of the 1929 crash strengthened and enjoying increased confidence on the part of employee stockholders. The report also referred to many instances of new stock offerings which have met with success. In many cases the original plans were found to be satisfactory and revisions were unnecessary. The report stressed the fact that the selling of stock below the market price was an important element in the result.

Since these studies were made, however, the newspapers have carried reports of the discontinuance of employee stock-purchase plans in several large corporations, including the General Motors Corporation¹ and the Electric Bond and Share Company, although in the latter case the speculative nature of the stock was probably the reason for the suspension of the plan. It is probable that plans in many smaller companies have been discontinued, or at least no new offerings made, although the report of the action of such companies does not reach publication.

Following are statements concerning the status of employee stock-purchase plans in some of the New England companies at the present time as described by company officials.

In a letter from A. B. Nichols, Vice-President of the Boston and Maine Railroad, the following paragraph appears:

"With the recent depression in business and

¹"Savings Plan of General Motors Corporation Suspended," Time, May 30, 1932.

consequent lessening of earnings, and the lowering of prices of all railroad stocks, a great many of those who were carrying subscriptions for stock have cancelled them because of their ability to purchase the stock at lower prices in the open market. We know that some employees have done this but we do not know how many nor the extent of their purchases."

This comment appears in a letter from an officer of the Builders Iron Foundry:

"We have two types of debenture bonds for issue to our employees as the stock is closely held. Neither of these is active at the present time as we have decided this is no time to take any more money in this way."

In a letter from an official of the Associated Gas and Electric System appears this description of a change in the subscription plan brought about by the declining market price of the stock:

"In view of the wholly unforeseen and quite unprecedented financial situation that has developed since 1929, the management has made certain modifications in the plan for the benefit of the employees so that employees whose subscriptions were completed after the great drop in security values received stock at the market instead of the subscription price. Furthermore, many of the employees were able to take advantage of options not contained in the original offer or referred to in the printed announcement, by which they received securities other than Class A stock for which they subscribed initially. No employee received any securities which at the time of delivery to him had a market value of less than the cash value of his subscription."

The Connecticut Power Company distributed circulars containing the a statement of modifications in subscription terms when it was found that the market price had fallen below the subscription price. A copy of this circular is quoted to illustrate the steps taken to retain the faith

of the employees:

"In September, 1929, common stock of The Connecticut Power Company was offered to our employees at a price which was substantially one-third less than the market price at the time the offer was made, and the stock was delivered about July 1, 1931. Under this offer the maximum number of shares subscribed for by any one employee was three shares.

During the period subscribers have been paying for this stock they have received the right to subscribe for one new share of stock at par value for each three shares standing in their name. The value of this subscription right was approximately \$17.50 for each share subscribed. Also, extra compensation has been paid subscribers which amounted to \$3.50 for each share.

Employees subscribing for this company's stock were affected by the general shrinkage of security prices because of the world-wide depression. However, they were very much less affected than other workers or the public who purchased in the open market as of the same date.

The employees, however, have been especially loyal and have continued to fulfill the agreement to purchase the stock although the price they were paying for it was in excess of the market value even when adjusted for rights and additional compensation.

In recognition of this fact an adjusting credit will be allowed to such employees in connection with the opportunity to purchase additional shares offered at this time, as follows:

Allowance

This company will pay the first six weekly installments for stock subscribed for at this time, which amounts to six dollars per share, on a number of shares not in excess of the number of shares that were purchased in accordance with the offer made to employees on September 14, 1929."

The Geometric Tool Company is an example of an organization which has repurchased stock from employees during the depression period. The following paragraph is contained in a

letter from a company executive:

"The stock has been a tremendous help to employees during this depression. Those leaving the employ of the company receive par for their holdings without delay. About a third of the employees in the company owned stock at the beginning of the depression. Today only twenty-five per cent own it."

Advantages and disadvantages to the employee. Probably the greatest advantage of stock-purchase plans to the average worker is the ease with which it is possible for him to save a portion of his earnings. Usually the plan is offered on a deferred payment basis with small deductions from the employee's compensation which are hardly missed once he becomes accustomed to them. With interest, dividend and sometimes extra payment credits, his stock is soon paid for and he has received it at a price considerably below the market price. Had he deposited a similar amount in a savings bank the return on it would probably have not exceeded four or five per cent; the same amount invested in company securities would yield considerably more. In the case of rank and file workers, this point may not be particularly important since the number of shares they own is small since it is usually restricted by the amount of annual wages, and therefore the earnings on the investment would be negligible. In an emergency, however, or in some other instance, such as the buying of a home, some companies are willing to lend employees money, accepting the stock as collateral and then the ownership is a decided advantage.

The ownership of company securities may be very

disadvantageous in the case of workers in small close corporations where there is no market for the stock. Unless the agreement has stated definite provisions for repurchase by the company, the employee may be at a serious disadvantage at a time when he needs to dispose of his holdings.

Stock, particularly common stock, is not usually considered a suitable investment for workingmen. The choice of the class of stock purchased by an employee is governed by the company offering and he purchases whatever is available. It is probable that the choice of the class of stock purchased is of less importance than the selection of the company which makes the offer; doubtless the common stock of some corporations is a superior investment to the preferred securities issued by others.

Before buying common stock, any worker should review his own needs carefully, giving due consideration to the amount of insurance, savings deposits or building and loan shares he has or might have, before he decides to invest his savings as well as his services in the same enterprise, realizing that if he follows such a procedure, he not only violates the first principle of investment diversification but that he will suffer a double disadvantage during hard times.¹ This truth has been recognized and has been incorporated in the eligibility requirements for stock subscriptions in some organizations. For

¹Thompson, Harrison, "Employee Stock Ownership--Its Merits and Demerits," Magazine of Wall Street, Vol. 47, p. 372, January 10, 1931.

example,¹ the duPont policy permits the selling of company stock to only those employees who already have insurance and savings and are, therefore, in a position to strive for a higher economic standing. It is the policy of this company to regard stock-ownership as the last step in a plan to achieve old-age security; the requirement of participation in pension and insurance plans must first be met.

Aside from the investment features of the buying of company securities, it is undoubtedly true that stock-ownership does carry with it some psychological advantage in the development and maintenance of morale. The fact that labor is so thoroughly opposed to the principle of stock-ownership points to this. The ownership of company stock results in a "capitalistic" viewpoint on the part of the worker who combines within himself the interest of the owner in maximum production with the worker's interest in the maximum wage. He realizes that increased output means increased dividends and becomes interested in the prevention of the destruction and wastage of equipment and materials. The inherent feeling of drudgery is replaced by a personal feeling for the job, and if the plan is successfully managed in this respect, it becomes an important step in the achievement of industrial harmony.²

With the exception of a very few companies, of which the Philadelphia Transit Company and the Columbia Conserve Company

¹Foster, B., "We Sell Stock to Employees without Over-Selling; duPont Policy," Factory, Vol. 37, pp. 800-1, November, 1926.

²Harris, F. M., "Psychosis of Industry," Industrial Management, Vol. 64, pp. 18-23, July, 1922.

are probably the outstanding examples, employee-stock participation carries with it little or no participation in the management of the corporation. In many companies, employees buy preferred, special employee or class B common stock which is devoid of voting rights. This is another reason for organized labor's attitude of opposition to stock-purchase plans. In the cases where common stock is purchased, it is doubtful if the employee holder of a comparatively few shares, particularly if he is a rank and file worker, feels that he has much interest in company policies other than those affecting wage payments, even if he does have a voting privilege. With selected employees, that is, those in supervisory positions, this attitude is reversed. It is probable that in some corporations there is sufficient stock owned by employees to allow them substantial representation on the board of directors. Of the New England companies studied, none were found to have employee directors although it is likely that such representation exists in some of the smaller close corporations where stock is held mainly by selected employees.

Advantages and disadvantages to the employer. Considering the cost of maintaining most employee stock-participation plans, one wonders just what advantages are realized by their operation. The clerical costs involved in handling the subscription accounts with the numerous instalment payments and dividend and interest credits as well as cancellations and re-

purchase agreements mount to enormous sums where the participation in the plans is widely distributed. Not only the operating cost of the plans is great, but the contributions made by companies as well as the reductions in price and other benefits add greatly to company expenses. That some return must be realized in maintaining these plans is evident, otherwise corporations would not have adopted the policy so widely.

The usual reasons set forth for the operation of stock-purchase plans are the encouragement of thrift, the stimulation and maintenance of interest in the enterprise resulting in loyalty to the organization to the extent of reducing labor turnover and labor disputes. The mention of the raising of new capital should not be neglected as that is often a prime reason for the offering, although it is not always named as such. Favorable publicity is often created by the maintenance of such plans and it is not unusual to use them as sources of advertising appeal,¹ a policy which has been employed successfully by Swift and Company and the Columbia Conserve Company.

To what extent the ownership of company stock results in the stimulation of interest in the job is difficult to say. The officials of some companies have felt that there has been a reduction in waste when employees have realized that the lowering of costs means increased production resulting

¹"Turning Employee Stock Ownership Facts into an Advertising Appeal," Printer's Ink, Vol. 116, pp. 79-80, August 25, 1921.

in greater profits and consequently larger dividend checks. Whether labor turnover has decreased is another result which is hard to measure. The largest percentage of turnover is usually in the lowest paid group of rank and file workers which is frequently not served by stock-purchase plans because of the requirements of wage and length of service records to make employees eligible. It is probable that older employee stockholders change their positions less frequently particularly when the payment of special benefits is included in the plan, but it is doubtful if many workers allow the ownership of a few shares of stock to prevent their accepting positions elsewhere at more attractive wages. In the executive group, the plan is usually found to be a good method of retaining the services of key men. It does, however, work the other way and sometimes becomes a hindrance when the occasion arises to dispense with the service of certain of those individuals.

In the case of certain classes of employees, particularly the skilled workman group, it is evident that stock-ownership is a stabilizing force. For example,¹ an employee of the Eastman Kodak Company is quoted as having said: "It has made me work in this establishment longer than in any place I have ever worked before. It has made me steady in my employment, on the job all the time, at the right time, every day in the week." No doubt this statement expresses the attitude

¹Harris, F. M., op.cit., p. 21.

of many employees in other organizations as well as those of the Eastman Kodak Company.

That labor disputes are lessened and the interest in unionization decreased considerably must be true to some extent, otherwise the principle of stock-participation would not receive so much opposition from labor leaders who usually regard the system as a means of company "strike insurance."¹ This attitude may be accounted for partly by the fact that some companies which have adopted the plan have regarded it as a remedy for labor unrest, overlooking the necessity of first building up employee interest through adequate working facilities, the best possible wages and improved production organization.²

It has been said³ that there are three outstanding perils which menace the American workingman; namely, indifference or lack of interest in his work, hostility to his employer, and hostility to private ownership of capital. Some writers regard a plan for stock-acquisition as the surest safeguard against all three. It is argued that the employee who saves his money in this way becomes a capitalist and as such is no longer hostile to capitalism. His ownership of company stock gives him a partnership outlook and he no longer regards with suspicion the organization by which he is employed, with the result that he becomes an

¹Boeckel, Richard, Labor's Money, p. 147-156.

²Tead, Ordway, "The Rise of Employee Stock-Ownership," Industrial Management, Vol. 14, p. 160, March, 1926.

³Hicks, C. J., "What Can the Employer Do to Encourage Saving and Wise Investment by Industrial Employees?" Harvard Business Review, Vol. 2, pp. 194-200, January, 1924.

interested worker rather than an indifferent one.

Probably the most serious disadvantages of stock-participation arise from the loss of the employees' faith in the company which occurs when the value of the stock drops greatly during an unforeseen depression period, or when it is discovered that the company has not been straightforward in publishing the exact facts of its financial condition. It is possible that the first disadvantage may be overcome if through intelligent management the employee is educated in the elements of business and financial technique and the risks involved in stock-ownership. The provision for rewards for the retention of stock over a long period of time is also helpful in this respect. However, no company which is not willing to give accurate information as to its financial standing to its employee stockholders as well as to other owners can expect successful results from a stock-acquisition plan.

From the number of offerings made by some of the New England companies studied, it is apparent that on the whole the results have been very satisfactory.

III. Conclusion.

From the foregoing discussion of employee stock-participation plans, it is evident that they follow a more or less universal pattern so far as the terms of the subscription agreement are concerned. The employee, who has satisfied

the eligibility requirements, contracts for the purchase of a certain number of shares of company stock, the purchase price to be deducted from his compensation at stated periods, and his subscription account credited with interest, dividends or other benefits, as the company decides. Usually provision for cancellation in particular instances is specified.

Such a contract may appear to be an ideal method of investing savings, however, it should be remembered that the practice is not suited to every industry. Only those companies which are well stabilized and are engaged in production or service for the more basic needs of consumption and whose earnings are not, therefore, subject to wide fluctuations, should include such a plan in its program of industrial relations. Then the workers' investments can be made at a minimum risk. Such a plan, if it is to achieve the purposes for which it is generally adopted, namely, the encouragement of thrift on the part of the employees, as well as stimulating and maintaining their interest and loyalty to the point where labor turnover is reduced and the likelihood of labor unrest decreased, should be formulated to meet certain fundamental requirements. It should be designed to furnish a means for automatic saving which is usually accomplished by means of the instalment payment method. The period of subscription payments should be of sufficient length to make the weekly saving a habit on the part of the employee. The company should be willing to publish definite

information as to its financial standing so that the worker-investors may have a knowledge of the corporation's standing. Under such a plan it is probable that employees would gain a valuable understanding of business principles and would, therefore, have a background for the better understanding of company policies.

The adoption of a stock-acquisition plan should be one of the last undertakings in an industrial relations program. If the plan is to be a successful feature of such a program, the company needs first to secure the workers' interest and loyalty in the organization by the payment of good wages and the providing of desirable working conditions.

From the employee's viewpoint, stock-participation offers an easy method of saving, but it should be remembered that such a system of putting all one's services and savings in the same enterprise violates the first principle of investment, namely, diversification. Before he puts "all his eggs in one basket," the worker should be advised to build up a savings fund for ordinary emergencies.

With the observance of these conditions, employee stock-participation may become a valuable part of the industrial relations program.

LIST OF COMPANIES

<u>Name and Location</u>	<u>Status of Plan</u>	<u>Date Adopted</u>
American Optical Company, South- bridge, Mass.	Single Offering	1929
Associated Gas and Electric System (New England Gas and Electric Association)	Active	1927
Bird and Son, Inc., Walpole, Mass.	Completed	1928
Boston and Maine Railroad, Boston, Mass.	Active	1929
Boston Woven Hose and Rubber Company, Cambridge, Mass.	Completed	1928
Builders Iron Foundry, Providence, R. I.	Active	1927
The A. B. Bridgeport, Connecticut	Active	1927
The Carter's Ink Company, Cambridge, Mass.	Active	1928
The Connecticut Power Company, New London, Conn.	Active	1928
Corbin Cabinet Lock Company, New Britain, Conn.	Active	1928
Dennison Manufacturing Company, Framingham, Mass.	Active	1928
Eaton, Crane and Pike Company, Pittsfield, Mass.	Active	1928
The Farnir Bearing Company, New Britain, Conn.	Active	1928
The Fuller Brush Company, East- ford, Conn.	Completed	1927
The Geometric Tool Company, New Haven, Conn.	Single Offering	1928
H. S. Hood and Sons, Inc., Charleston, S.C.	Active	1928

APPENDIX

List of Companies Summaries of Plans

Dividend Records of Selected Securities

LIST OF COMPANIES

<u>Name and Location</u>	<u>Status of Plan</u>	<u>Date Adopted</u>
American Optical Company, South- bridge, Mass.	Single Offering	1926
Associated Gas and Electric System (New England Gas and Electric Association)	Active	1927
Bird and Son, Inc., Walpole, Mass.	Completed	1920
*Boston and Maine Railroad, Boston, Mass.	Active	1930
Boston Woven Hose and Rubber Company, Cambridge, Mass.	Completed	1918
Builders Iron Foundry, Providence, R. I.	Active	1912
**The A. W. Burritt Company, Bridgeport, Connecticut	Active	1917
The Carter's Ink Company, Cambridge, Mass.	Active	1921
The Connecticut Power Company, New London, Conn.	Active	1923
Corbin Cabinet Lock Company, New Britain, Conn.	Active	----
**Dennison Manufacturing Company, Framingham, Mass.	Active	1911
Eaton, Crane and Pike Company, Pittsfield, Mass.	Active	1924
The Fafnir Bearing Company, New Britain, Conn.	Active	----
The Fuller Brush Company, Hart- ford, Conn.	Completed	1917
The Geometric Tool Company, New Haven, Conn.	Single Offering	1925
H. P. Hood and Sons, Inc., Charlestown, Mass.	Active	----

<u>Name and Location</u>	<u>Status of Plan</u>	<u>Date Adopted</u>
Hood Rubber Company, Boston, Mass.	Active	1924
International Silver Company, Meriden, Conn.	Active	1926
Landers, Frary and Clark, New Britain, Conn.	Active	----
Ludlow Manufacturing Associates, Boston, Mass.	Completed	----
Massachusetts Gas Companies, Boston, Mass.	Active	----
New England Power Association, Boston, Mass.	Active	1930
**New Haven Gas Light Company, New Haven, Conn.	Abandoned	1907
The New York, New Haven and Hart- ford Railroad, New Haven, Conn.	Completed	1925
Pacific Mills, Lawrence, Mass.	Single Offering	1923
**Package Machinery Company, Springfield, Mass.	Active	1925
Plymouth Cordage Company, North Plymouth, Mass.	Completed	1920
The Screw Machine Products Corporation, Providence, R. I.	Single Offering	1920
The Stanley Works, New Britain, Conn.	Completed	1930
Strathmore Paper Company, Mittineague, Mass.	Active	1920
United Shoe Machinery Corpora- tion, Boston, Mass.	Single Offering	1923
Waldorf System, Inc., Boston, Mass.	Completed	1925
Waterbury Farrel Foundry and Machine Company, Waterbury, Conn.	Single Offering	1920

<u>Name and Location</u>	<u>Status of Plan</u>	<u>Date Adopted</u>
The Yale and Towne Manufacturing Company, Stamford, Conn.	Active	1923

Single offering of 100,000 shares of common stock, \$10 par value, by the company. Source, company records. Holdings. Total, 100,000.

Shares authorized, 100,000. Full or partial payment, 100,000. Four per cent. *Date of last offering; date of origin not known. **Primarily profit-sharing plans.

Shares authorized, 100,000. Full or partial payment, 100,000. Four per cent. not paid for at date of offering. with four per cent. interest.

About 500 shareholders. but since that time have been reduced to about 100 in excess of what they own.

Associated Gas and Electric Corp.

This company is the parent of Associated Gas and Electric Corporation and the Gas Light Corporation with which a number of public utilities including operating companies in Framingham, Weymouth, and other communities, and the Boston Edison Company.

First offering, 100,000 shares of stock, class A, \$10 par value, for service. Price, \$10.00 per share, market price, \$10.00 per share. five subject to the approval of the Board of Directors of the Associated Gas and Electric Corporation.

Subscription may be made in cash or by check. limited to one share per person. and not to exceed 100 shares.

Payments shall be deferred until the completion of the plan. The plan shall be weekly, and shall be subject to the approval of the Board of Directors of the Associated Gas and Electric Corporation.

SUMMARIES OF PLANS

American Optical Company

Single offering, January, 1926. Administration, five trustees. Any employee eligible. Kind of stock, preferred. Source, stock was surrendered by trustees out of personal holdings. Price, \$100.

Shares subscribable, no limit stated. Payment, cash in full or instalments over forty-nine weeks; interest, about four per cent credited on payments.

Employee may cancel any time within three years; payments refunded. Cancellation by company, if subscription not paid for at end of one year, company returns payments with four per cent interest.

About 630 employees subscribed for 1,750 shares in 1926, but since that time many have turned in their stock at prices in excess of what they paid.

Associated Gas and Electric System

This company is the controlling organization of the Associated Gas and Electric Company, General Gas and Electric Corporation and the New England Gas and Electric Association with which a number of New England utilities are affiliated, including operating companies in Cambridge, New Bedford, Framingham, Vineyard Haven, Worcester, several Cape Cod communities, and Portsmouth, New Hampshire.

First offering, 1927; second offering, 1929. Kind of stock, class A. Eligible, any employee of six months' service. Price, fixed by Board of Directors at substantially market price. (\$51 in 1929) Administration, committee of five subject to the jurisdiction and supervision of the Board of Directors of the Associated Gas and Electric System.

Subscriptions may be made at any time, the amount limited to one share for each \$12.00 of monthly compensation, and not to exceed 100 shares.

Payments will be deducted from the subscribing employee's compensation at the rate of \$1.20 monthly per share, deductible in weekly, semi-monthly or monthly instalments. Fifty cents will be contributed by the Company for every \$1.20 paid.

SUMMARIES OF PLANS

American Optical Company

Single offering, January, 1938. Administration, five trustees. Any employee eligible. Kind of stock, preferred. Source, stock was surrendered by trustees out of personal holdings. Price, \$100.

Shares subscription, no limit stated. Payment, cash in full or installments over forty-nine weeks; interest, about four per cent credited on payments.

Employee may cancel any time within three years; payments refunded. Cancellation by company, if subscription not paid for at end of one year, company returns payments with four per cent interest.

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This company is the controlling organization of the Associated Gas and Electric Company, General Gas and Electric Corporation and the New England Gas and Electric Association with which a number of New England utilities are affiliated, including operating companies in Cambridge, New Bedford, Framingham, Vineyard Haven, Worcester, several Cape Cod communities, and Portsmouth, New Hampshire.

First offering, 1927; second offering, 1932. Kind of stock, class A. Eligible, any employee of six months' service. Price, fixed by Board of Directors at substantially market price. (\$51 in 1932) Administration, committee of five subject to the jurisdiction and supervision of the Board of Directors of the Associated Gas and Electric System.

Subscriptions may be made at any time, the amount limited to one share for each \$12.00 of monthly compensation, and not to exceed 100 shares.

Payments will be deducted from the subscribing employee's compensation at the rate of \$1.20 monthly per share, deductible in weekly, semi-monthly or monthly installments. Fifty cents will be contributed by the Company for every \$1.20 paid.

Interest will be allowed on payments and other credits at the rate of five per cent annually. Stock certificates will be issued when the subscription payment is completed. Voting right may not be exercised until the delivery of the stock certificate and until such time, such certificates shall remain in the name of the Committee. During the subscription period, all dividends declared will be credited to the employee's account, subject to interest as mentioned above.

In case of the death of the employee, all stock purchased as well as other credits will be paid to his estate. In the event of the employee's leaving the company, he may receive the certificate for stock fully paid for, or cash for the amount of payments made plus interest but without dividends or company contributions. Subscriptions may be cancelled or reduced at the employee's request with the approval of his immediate superior.

In the event of reorganization, consolidation, merger or dissolution of the Associated Gas and Electric System, securities of the successor corporation will be substituted for class A stock.

At the end of 1931, the Associated Gas and Electric System had 237,115 stockholders of which 8,400 were employees, more than fifty per cent of the total workers.

Bird and Son

Single offering of preferred stock in 1920. Employees were given the opportunity to purchase it at less than market price. Payment, cash or weekly instalments distributed over a period of one year.

Since that time, all preferred stock has been called in and there is no outstanding indebtedness in the hands of the public.

Boston and Maine Railroad

Last offering, October 28, 1930. Eligible, any employee. Kind of stock, seven-per-cent Prior Preferred. Price, \$103.

Shares subscribable, no limit stated. Payment, cash in full or instalments over a period of 16 or 23 months, at the

subscriber's choice; interest, seven per cent credited on payments.

Employee may cancel any time upon written request; payments refunded with five-per-cent interest, compounded semi-annually. Company cancels if service terminates, upon pledge or assignment of subscription, or discontinuance of payments by the subscriber for more than three consecutive months. In case of death or permanent disability, payments refunded with interest at seven per cent, compounded semi-annually, together with a proportionate part of the excess over \$103 of the current market value. Subscribers retired on pension have the option of completing payments or of receiving a refund of payments with five per cent interest.

Boston Woven Hose and Rubber Company

Original offering of 500 shares, January 1, 1918, and for five years following. Eligible, all employees of two years' service earning \$1,200 or more annually. Kind of stock, common. Price, fixed at four-fifths of fair market value as of December 1 of each year.

Shares subscribable, ratio of individual's salary to total salaries of all employees participating plus an increased amount equivalent to twenty per cent for each additional five years of service. Employee may subscribe for his full allotment or for fifty per cent of it.

Payment, ten per cent of the salary deducted weekly or monthly, or if fifty per cent of the allotment is subscribed, five per cent deducted weekly or monthly according to the subscriber's preference; additional payments permissible at any time. Dividends are credited to the subscriber's account. All stock subscribed for to be retained by the Company for a period of five years and until such time the subscriber will hold a non-transferable receipt and shall be bound by all conditions as to cancellation as if his stock were only partially paid. Cancellation by employee, on request with assent of the Board of Directors; by company, upon resignation or dismissal of employee, and all payments refunded plus five-per-cent interest and proportionate part of the excess of the market price over the purchase price. In the case of death, the company will purchase stock held or refund payments plus interest; stock acquired through all cancellations to be resold to employees.

Builders Iron Foundry

First offering, 1912. Kind of security, two classes of debenture bonds. Group I: limited to twenty-five and a new debenture-holder has to be voted in. The bonds are written for the amount paid in, and when paid up carry a certain share of the increase in surplus from the time the money was put in until it is taken out. The interest rate varies from six to four per cent. Group II: consists of any employees desirous of putting something into the business either weekly or monthly or sometimes in an amount of \$50 to \$100 at a time. These bear six-per-cent interest, payable semi-annually. On March 16, 1932, there were thirty bonds outstanding in this group.

The A. W. Burritt Company

First offering, about 1895; present plan adopted in 1917. Eligible, executives and their assistants, or others approved by a majority vote of the common stockholders. Kind of stock, common; source, treasury. Price, book value of the outstanding common stock as determined by the last inventory, but in no case less than \$50 par.

Subscription terms, within sixty days after close of any fiscal year an eligible employee may subscribe \$1,000 or less for the first one thousand dollars of his salary, and five times the amount of his salary over that figure. Subscribers to common stock may be discharged only by vote of the board of directors, subject to ratification by the vote of the stockholders at their annual meeting. Employees may not vote as stockholders until their stock is completely paid for although they have the privilege of attending stockholders' meetings.

Payments: two and one-half per cent on the total subscription price on each of the last days of April, July, October, and January following his subscription. The subscriber may make larger payments on any regular payment date. In case of default, the company will cancel the subscription and return the amount paid without interest, bonus or share in the profits. Shares in profits or bonus voted will be applied to the payment of interest on the unpaid subscription, and the amount in excess of six per cent will be applied to the payment of the principal. After the first year of the subscription, the balance may be used in the purchase of a home by the subscriber, or for the purchase of additional company stock, subject to the vote of the directors and the approval of the stockholders. In case the profits

and bonus are insufficient to pay the above-mentioned interest and principal, payments need not be made until another bonus is declared; interest during the non-payment period will run at six per cent.

Certificates of common stock for twenty-five per cent of the subscription will be issued when thirty-five per cent of the amount has been paid, and thereafter a common stock certificate will be issued as twenty-five per cent payments are made.

In March, 1932, the Company reported the total number of stockholders as twenty-seven, all employees, principally executives or their assistants.

The Carter's Ink Company

First offering, January 1, 1921. Kind of stock, preferred and common B. Eligible to subscribe for preferred, all employees; for common, executives and salesmen of three years' service who are American citizens, earning at least \$2,000 per year. Price, \$100 par for both classes.

Subscription terms: Subscriptions may be paid for in cash or in Ten Dollar Scrip Certificates which may be purchased at any time for cash and exchanged for an equivalent amount of stock when it is offered. Scrip Certificates will be credited with eight-per-cent interest at time of exchange. In the event that neither of these methods is followed, the subscriber may borrow money from an outside source, pledging the stock as security, making full payment within two years from the date of the subscription.

If an employee dies, leaves the company, or wishes to dispose of his stock, the company must redeem the shares at book value or allow their sale or transfer without restriction. Retired employees may retain their stock.

In March, 1932, there were forty-one holders of common stock, and fifty-nine holders of preferred stock, all employees, former employees or widows of employees.

The Connecticut Power Company

This company is composed of the following units: The Connecticut Power Company of New London, the Hartford Electric Light and Power Company, the Manchester Electric Company, the

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Stamford Gas and Electric Company, the Union Electric Power and Light Company.

Offerings, 1923, 1926, 1929, 1931. Eligible, all employees; kind of stock, common. Price, \$60.

Subscription terms: Maximum subscription, three shares; payments to be deducted from compensation paid weekly at the rate of \$1.00 per share, and from compensation paid semi-monthly or monthly at the rate of \$4.50 per month; five-per-cent interest to be charged monthly on the unpaid balance. The company grants a bonus of fifty cents annually per share as long as the stock is retained.

If the employee for any reason severs his connection with the company, or is unable to continue payments, all money paid will be refunded less an adjustment for interest charges, rights received, allowances, etc.

Of approximately one thousand employees about one-third own company stock.

Corbin Cabinet Lock Company

Employees, particularly those holding responsible positions, acquire company stock from time to time by purchases from brokers. In some instances, the company finances such purchases by taking the stock as collateral and lending the money at a stipulated rate of interest to be paid off in instalments.

Dennison Manufacturing Company

Every employee of the Dennison Manufacturing Company who completes five years of continuous service becomes, unless he is a Managerial Industrial Partner, an Employee Industrial Partner, provided he signed a contract for extra remuneration during his fifth year of service.

The Employee Industrial Partnership Fund consists of one-third of the total amount earned to be distributed by the company as extra remuneration. This fund is distributed in the form of non-transferable, non-assignable and non-voting Employee Stock, issued at par in shares of \$10 par value, subject to the same provisions as to dividends, surrender, exchange, etc., except voting, as Management Stock.

Each employee receives a portion of the fund according to the ratio of his service points to the total number of service points of all Industrial Partners, ranging from 10 points for less than five years' service to 24 points for twenty-five years' service. A Committee on Appeal decides any questions as to the right of an employee to share under this plan.

At the termination of service to the company, rights to dividends cease and the stock must be returned to the company in exchange for cash for one-half of the shares of Employee Stock and for the other half, one share of preferred stock for every ten shares of Employee Stock, paying cash for any additional shares.

Eaton, Crane and Pike Company

Plan adopted, February 21, 1924. Administration, Employees' Stock Committee consisting of the vice-president in charge of personnel, the employment manager, one member elected annually by the department managers' association, and two members elected annually by employees holding special preferred stock. Eligible, any employee of one year's service. Kind of stock, employees' special preferred, seven per cent cumulative. Source, treasury. Price, \$10 (par).

Shares subscribable, not over \$500 worth in one year. Payment, cash in full or instalments over a period of one year, minimum of fifty cents weekly but not to exceed fifteen per cent of the subscriber's earnings. Dividends are credited and quarterly interest of five per cent is charged on unpaid balances.

In case of death, the company will redeem the shares at \$11 and accrued dividends. The company will purchase at par and accrued dividends the shares of any employee who finds it necessary to sell, or if his stock is fully paid for, an employee may obtain a loan from the company on pledge of his shares, not to exceed ninety per cent of their par value. The company may call and redeem stock at \$11 a share and accrued dividends upon thirty days' notice.

On March 30, 1932, there were 117 employee stockholders, of which one-quarter were executives and heads of departments and the remainder rank and file workers.

The Fafnir Bearing Company

This company does not sponsor a formal stock purchase plan but several years ago its board of directors voted to allow a special premium of fifty per cent of his dividend to employees who were stockholders. This arrangement applies to a limited number of shares per employee and does not apply to the board of directors. The employee must purchase the stock through regular channels and not from the company.

The Fuller Brush Company

Since 1917 the company has confined sale of both its common and preferred stocks to those connected with the organization as far as possible. Eligible, any employee. Kinds of stock, second preferred seven-per-cent cumulative and common class AA. Source, treasury. Price, second preferred, \$100; common class AA, fixed annually by executive committee,--in 1925 the price was \$90.

Shares subscribable, no limit stated; applications for large blocks reviewed by executive committee. Formerly stock had to be bought in ratio of one share of common to four shares of preferred but at present employee may subscribe share for share, or all preferred. Common stock is not issued until after employee has completed a year of service; preferred is presumably issued as soon as paid for. If employee quits and wants to sell his stock, it must first be offered to company which has option of repurchase within six months at price paid by employee plus any increase in book value above book value at close of business on last day of month previous to date of original purchase.

Payment, cash in full or in instalments at convenience of purchaser; instalments may be paid at end of year out of employee's balance in company's savings and bonus plan or, if employee elects, his balance may be applied against stock as soon as it is sufficient to pay for a unit.

No provision for cancellation either by company or employee.

Less than 50 of the 1,250 stockholders are not employees; the same ratio holds as to the amount of stock held by employees.

The Geometric Tool Company

First offering, November 1, 1925. Eligible, any employee. Kind of stock, seven-per-cent employees' prior preferred. Price, \$50, par.

Shares subscribable, twenty-five shares to those earning \$2,000 or less, those earning \$4,000, 50 shares, more than \$4,000, 100 shares.

Payment, in cash or by surrender of preferred stock of the corporation.

Employees' prior preferred stock is entitled to seven-per-cent dividends and extra dividends ranging from one per cent to eight per cent, depending on the range of common stock dividends from eleven to eighteen per cent.

The company may at any time retire the entire issue at par and accrued dividends.

H. P. Hood and Sons, Inc.

This company encourages thrift on the part of its employees by withholding from his weekly salary at the employee's request, any amount specified to be applied toward the purchase of seven-per-cent preferred stock. An additional one per cent is given on holdings up to \$2,000.

Hood Rubber Company

In May 1924, common stock offered; in July 1925, an employees' special stock. Eligible, any employee may subscribe for employees' special stock, but sales of common are limited to selected employees. Source, common stock bought in market; employees' special, treasury. Price, common, \$50 usually; employees' special, \$10.

Subscription terms: common, allotment is made on basis of amount applied for, employee giving note for it payable within fifty months to Hood Rubber Thrift trustees and executing a power of attorney in their favor also--employee agrees not to buy securities of any other corporation so long as his indebtedness to trustees remains unpaid; employees' special, no limit stated.

Payment: common, note must be paid off at minimum rate

of \$1.00 a share monthly; employees' special, cash in full or instalments equivalent to at least price of one share (\$10) monthly. Dividends on common paid in cash to employee; he is charged five or six per cent, depending upon business conditions, on his note.

If employee wishes to sell his common stock before he has paid off his note, he must offer it to trustees at purchase price. If employee defaults on either principal or interest payments on note, it becomes immediately due; trustees may thereupon sell, after ten days' notice of time and place of sale mailed to employee, any or all of stock, refunding proceeds after deducting expenses of sale and balance due.

Two hundred and three employees hold 5,388 shares of preferred stock; 423 employees hold 12,389 shares of employees' special stock, and 558 employees hold 69,862 shares of common stock. (These figures compiled in 1925.)

International Silver Company

First offering, December 23, 1926. Eligible, any employee. Source, market. Kind of stock, preferred or common.

Shares subscribable, not more than ten. Payment, minimum of ten per cent of total purchase price and monthly or quarterly payments at a minimum rate of ten per cent per year. Dividends will be paid directly to the worker during the instalment period, and five-per-cent interest will be charged annually on unpaid balances.

On March 17, 1932, 154 of 836 common stockholders were employees and 212 of 1,321 preferred stockholders were employees.

Landers, Frary and Clark

This company has no formal employee stock-purchase plan although it does make it as easy as possible for interested employees to buy stock.

If any employee in good standing wishes to buy stock, the company buys it for him in the open market and permits him to pay by deduction from his salary over a period of not more than two years, charging interest at four per cent on unpaid balances. The dividends are paid directly to the worker although the stock

is held by the company until the payments are completed.

Ludlow Manufacturing Associates

Plan inaugurated, 1905. Kind of stock, common. Payment, instalment period of a specified duration with semi-annual interest charged on the unpaid balance. The company agrees to repurchase the shares at any time within three years of the agreement at the employee's request. If the employee terminates his service within five years from the date of the agreement, the company cancels the subscription and refunds his shares at the price paid plus accrued dividends.

Practically all of the employee stockholders in this corporation are clerical workers or highly paid mill employees.

Massachusetts Gas Companies

Eligible, any employee. Kind of stock, preferred or common. Source, market. Price, market.

Shares subscribable, no limit stated. Initial payment of \$15 a share on preferred and \$5.00 a share monthly thereafter; initial payment of \$20 a share on common and \$5.00 monthly a share thereafter. Dividends on stock credited; six per cent charged on deferred payments.

Employee may not dispose of his equity in stock except in case of necessity and with approval of treasurer. Any loss or gain on such sale of part-paid share is for account of employee.

New England Power Association

This organization is the holding and financing vehicle for properties of the New England Power Association System of which the major subsidiaries are as follows:

- Attleboro Steam and Electric Company
- Bellows-Falls Hydro-Electric Corporation
- The Connecticut River Power Company of New Hampshire
- Rhode Island Power Transmission Company
- Fall Mountain Electric Company
- Fall River Electric Light Company
- Gardner Electric Light Company
- Grafton Power Company

Grafton County Electric Light and Power Company
 Hartford Water Company
 Lawrence Gas and Electric Company
 The Lowell Electric Light Corporation
 The Mystic Power Company
 The Narrangansett Electric Company
 New England Power Company
 Quincy Electric Light and Power Company
 The Rhode Island Public Service Company
 Seekonk Electric Company
 South County Public Service Company
 Tiverton Electric Light Company
 United Electric Railways Company
 Webster and Southbridge Gas and Electric Company
 The Worcester Electric Light Company

1930 offering. Kind of stock, \$2.00-dividend preferred shares. Eligible, any employee. Price, \$32.

Shares subscribable, not more than 100 shares or an amount which would require the deduction of not more than one-fifth of the monthly wage or salary of the subscriber. Payments, \$1.00 per share monthly with interest credited at the rate of six per cent annually and extra payments on each share held ranging from twenty-five cents for one year to \$1.00 at the end of five years.

Cancellation of the subscription may be accomplished on request, termination of service, death of the subscriber, or upon the liquidation of the Association; full amount of payments refunded with interest and extra payments except in the case of cancellation on request when extra payments will be withheld.

Under the 1930 offering, 27,817 shares were subscribed by 3,850 employees, 6,315 having been solicited.

New Haven Gas Light Company

Plan adopted, January 15, 1907. Eligible, any employee of two years' service upon special recommendation of one or more of the executive officers, approved by the Board of Directors.

Each employee is credited quarterly with eight per cent on the wages received for the preceding three months. On April 1, July 1, October 1 and January 1 of each year, if the employee's credit is equal to the then market value of one or more shares of the preferred stock of the Connecticut Gas and

Coke Securities Company, his credit is exchanged for stock.

If the employee is discharged from the company's service, the entire amount of the credit is forfeited; if he leaves of his own will, one-half the credit is paid to him in cash.

This plan is entirely a profit-sharing plan requiring no monetary contribution from the employee. It was in operation for over twenty years but was discontinued in 1930 because it no longer served the original purpose.

The New York, New Haven and Hartford Railroad

Offerings, 1925, 1927. Kind of stock, seven-per-cent preferred. Eligible, any employee. Price, par.

Shares subscribable, no limit stated. Payment, five per cent of the par value to be deducted monthly from the payroll for twenty months and at the end of that time the stock to be delivered with seven-per-cent interest allowed for each payment and an adjustment made for any dividends accumulated for the last quarter.

Employees unable to complete subscriptions will have payments refunded with interest at seven per cent.

When the subscription is completed and the stock delivered, the holder may keep or sell his stock in accordance with his wishes.

Pacific Mills

Single offering, May 1, 1923. Kind of stock, common. Eligible, any employee. Price, \$91.

Shares subscribable, one to five shares. Payment, \$5.00 at time of approval of subscription and weekly instalments of \$1.00 or \$2.00 according to the subscriber's desire, deductible from compensation. Interest at five per cent per year, payable quarterly, is charged on unpaid balances and dividends are credited to the employee's account.

The subscription may be cancelled at the employee's request and the payments refunded plus interest at five per cent. In case of unemployment, workers may suspend payments for three months. At the termination of service, payments plus interest but without dividends will be refunded.

Package Machinery Company

Plan adopted, 1925. The company purchased a block of stock and gave workers an opportunity to purchase it on a deferred payment plan. Seventy-three employees bought 1,000 shares.

This company also sponsors a profit-sharing plan as follows:¹

"We have, however, a profit-sharing plan which is rather unique and has worked out very well. Each year, we give to those of our employees who have completed a year of service, what we term a Compensation Warrant, which automatically gives the employee one hundred dollars insurance without cost.

In addition to this, the Warrant entitles the holder to share in the profits of the company to the extent of the dividends declared and paid on two shares of common stock. For instance, if any employee has six warrants, these warrants have an earning power equivalent to the dividends on twelve shares of common stock, which is paid quarterly as dividends are declared.

This warrant becomes valueless when the employee leaves the company, with the exception that he has the privilege of converting to a regular policy the insurance he has in force without submitting to an examination."

Plymouth Cordage Company

First offering, November, 1920. Administration, Board of Directors. Kind of stock, special employees' stock. Price, \$20 (double its par value).

Shares subscribable, no limit stated. Payment, cash in full or fixed instalments payable weekly which receive interest at six per cent per annum.

Special employees' stock can be sold only to another employee or to the company, although a worker leaving the company may hold his shares.

Owners of ten shares of employees' stock are entitled

¹Quoted from a letter, dated March 18, 1932, by Roe S. Clark, treasurer of the company.

to one vote at stockholders' meetings.

This plan has not been effective for the last four years due to the fact that the market value has been lower than the par value.

The Screw Machine Products Corporation

Plan adopted, September 1, 1920. Administration, Board of Directors. Eligible, any employee. Kind of stock, seven-per-cent cumulative preferred. Price, \$87.50.

Shares subscribable, one to eleven shares according to annual earnings; yearly wage of \$690, one share; of \$9,660.01 or more, 11 shares. Payment, monthly instalments of \$2.00 per share, entire subscription to be completed in three years. Accounts are credited with interest at six per cent annually and dividends.

Cancellation will be effected by request of the subscriber, voluntary termination of service, discharge, failure to resume employment when requested, or discontinuance of payments without consent for three consecutive months. Payments are refunded plus six-per-cent interest but dividend credits are forfeited.

Special benefits, for five years beginning October 1, 1921, cash payments of five dollars were made to employees who retained their stock. Such employees also share in the fund accumulated from dividends on the cancelled subscriptions of employees who left the company.

If an employee dies, the beneficiary is allowed to retain the stock or to receive the payments plus interest, dividends and special allowances.

Suspension of the employment of employees willing to resume service when required does not deprive them of receiving special allowances. During such suspension, monthly payments are not required.

The company reserves the right to repurchase all or any shares at \$110.

On March 18, 1932, the treasurer reported that on account of many of the old employees' leaving the company and others who became disinterested, there are only a few factory and office workers who are stockholders.

The Stanley Works

First offering, 1919; last offering, March 1, 1930.
Eligible, any employee. Kind of stock, common. Price, \$43.

Shares subscribable, limited according to annual earnings; twenty per cent of a \$2,000 income or less may be subscribed, fifteen per cent, \$2,000-\$4,000; ten per cent, \$4,000 or over.

Payment, weekly, monthly or quarterly deduction from compensation; five-per-cent interest charged on unpaid balances and accounts credited with dividends declared. Completion of subscription payments is required within two years.

Cancellation may be accomplished by request, voluntarily leaving the service, discharge, failure to resume employment when requested, or discontinuance of payments for three consecutive months. Payments will be refunded with interest at five per cent but all past and future dividends and special benefits will be forfeited.

Special benefits, to employees who retain their stock beginning in January 1931, for five years, a payment of \$1.00 for each share retained will be made.

In the case of death, the estate may retain the stock and receive the special benefits if the subscription has been completed, or in the event of an incomplete subscription, payments will be refunded plus dividends and special benefits.

Subscribers whose employment is suspended because of temporary closing of the plant, and who are willing to resume service upon request, are not deprived of special benefits and during such time payments of instalments are not required.

Strathmore Paper Company

Plan adopted, July 1, 1920. Administration, board of directors. Eligible, employees of six months' service. Kind of stock, seven-per-cent cumulative preferred employees' stock, class B, non-voting. Source, treasury. Price, \$10 (par).

Shares subscribable, aggregate holdings not to exceed \$2,500.

Payment, in full or in instalments as agreed, interest at seven per cent will be credited on partial payments.

In case of sale or terminated service, the stock must be tendered within thirty days to the administration for purchase at par plus accumulated dividends. In case of death the same procedure is followed, \$10.30 per share and dividends being paid the estate. Stock may be deposited as security for temporary loans with reasonable interest.

Service dividends based on periods of service are paid as follows: One to five years, one per cent; five to ten years, two per cent; ten to fifteen years, three per cent; fifteen to twenty years, four per cent; twenty years and over or to persons who are over sixty years of age, or have retired from service after twenty-five years' employment, five per cent.

On March 19, 1932, the treasurer reported that 185 employees were stockholders, about one-half of which had been with the company ten to fifteen years.

United Shoe Machinery Corporation

Single offering, December 1, 1923. Eligible, any employee. Kind of stock, common. Source, market. Price, \$28.

Shares subscribable, one to twenty.

Payment, 28 monthly deductions of \$1.00 per share, or 112 weekly deductions of twenty-five cents per share; dividends paid directly to subscriber. Payments may be suspended in case of illness or lay-off.

Employee may cancel subscription upon written request, upon termination of service, voluntary or otherwise, or if rights under subscription are alienated. Payments plus interest at six per cent less dividends are refunded, the same procedure being followed in the case of the employees' death.

In 1926, 3,622 employees owned corporation stock.

Waldorf System Incorporated

First offering, January 15, 1925; last offering, December 5,

1929. Administration, executive committee. Eligible, division managers and supervisors, department heads, store managers, such other employees as the president may determine. Minors are ineligible. Kind of stock, common. Source, market. Price, \$20.

Shares subscribable, no limit stated.

Payment, monthly instalments of \$1.50 per share, interest at six per cent charged on unpaid balances and dividends credited.

Cancellation is effected by termination of service or non-payment of instalment twenty-eight days after due date; payments refunded with six-per-cent interest. In case of death, subscription may be completed within sixty days by the beneficiary or payments may be refunded as above.

Waterbury Farrel Foundry and Machine Company

This corporation has no regular plan of stock subscription although in 1920 a small list of employees were given the opportunity to purchase stock in amounts that were determined by a committee to decide what employees would be allowed to purchase and in what amounts.

The Wiremold Company

Single offering, 1926. Eligible, any employee. Kind of stock, six-per-cent cumulative participating preferred. Price, \$10 (par).

Shares subscribable, no limit stated.

Payments, arranged to suit the subscriber.

If the employee desires to dispose of his stock, the company must have the first opportunity to buy it.

On March 21, 1932, there were 70 employee stockholders, eight of whom were executives, 14 salesmen, and 48 of the rank and file.

The Yale and Towne Manufacturing Company

Offerings, 1923, 1924, 1925. Eligible, any employee.

Kind of stock, common. Source, market. Price, market.

Subscription terms, shares equivalent to thirty per cent of employee's yearly earnings.

Payments, cash in full, or down payment of twenty-five per cent and company will loan money up to the balance of purchase price with stock as collateral, loan to be repaid in monthly instalments within three years, with a five-per-cent interest charge. Payments may be deferred in emergencies.

March 21, 1932 the treasurer reported that approximately 350 employees, excluding directors and officers, owned stock in the company. Of this number, about seventy-five were selected workers, the balance being rank and file employees.

DIVIDEND RECORDS OF SELECTED SECURITIES

Associated Gas and Electric System

Class A stock. Offerings, 1927, 1929. Market price, \$51, paid by employees in 1929 subscriptions.

Initial dividend of fifty cents paid May 1, 1925 and quarterly to February 1, 1931. In lieu of cash, stockholders were given the option of taking the dividend in class A stock at the rate of 1/40 of a share on any dividend date. On May 1, 1931 paid fifty cents in cash or 1/50 share of class A or 1/40 share of \$5-preferred; on August 1, 1931 paid twenty-five cents in cash or 1/50 share of class A or 1/200 share of \$5-preferred; November 2, 1931, 1/50 share class A or 1/200 share \$5-preferred; February 1, 1932, 1/80 share of class A or 1/800 share of \$5-preferred; May 2 and August 1, 1932, each 1/80 share of common stock. Extra dividends of twenty-five cents paid February 1, 1928 and forty cents February 1, 1929 paid in cash only. Paid extra of forty cents per share in cash or 2/125 of a share of class A stock February 1, 1930.

Price range: 1926, $25\frac{1}{2}$ - $38\frac{3}{4}$; 1927, 35-52; 1928, 47-52 $7/8$; 1929, 35 $1/8$ -72 $5/8$; 1930, 13 $7/8$ -46 $\frac{1}{2}$; 1931, $3\frac{1}{2}$ -23 $\frac{3}{4}$.

Boston and Maine Railroad

Seven-per-cent prior preferred stock. Offering, 1930. Price, \$103.

Regular dividends paid quarterly to January 2, 1932; none thereafter to August 1, 1932.

Price range: 1930, 111 $\frac{1}{2}$ -98; 1931, 108-45.

Boston Woven Hose and Rubber Company

Common stock. Offerings, 1918, 1923. Price, four-fifths of fair market price as of December 1 of each year.

Regular dividends of 12 per cent annually paid from December, 1912 to March, 1921; 6 per cent annually from June, 1921 to September, 1922. Stock changed to no-par value shares December 15, 1922. Dividends thereafter: 1923, \$4.50; 1924, \$5.50; 1925 to June 15, 1931, \$6 per share per

annum; September 15, 1931, \$1.00; December 15, 1931 and March 15, 1932, fifty cents each; June 15, 1932, common dividend passed.

The Connecticut Power Company

Common stock. Offerings, 1923, 1926, 1929, 1931. Price, \$60.

Dividends paid: 1922-September 1, 1925, 8 per cent per annum; December 1, 1925, $2\frac{1}{2}$ per cent and quarterly thereafter to March 1, 1928; paid extra dividend of one per cent January 5, 1928. Initial dividend on \$25 par stock of $62\frac{1}{2}$ cents paid June 1, 1928 and quarterly thereafter to June, 1932.

Dennison Manufacturing Company

Employees' stock.

Paid dividends of 80 cents per share in March, 1929 and 1930; none thereafter until April 23, 1932.

Eaton, Crane and Pike Company

Employees' special preferred stock, seven-per-cent cumulative. Offering, February, 1924. Price, \$10.

Regular dividends paid quarterly to April 1, 1932.

The Fafnir Bearing Company

Common stock. No formal plan for employee stock-participation, but workers are aided to purchase stock if they are desirous of so doing.

Dividends paid including extras: 1916, \$4.37 $\frac{1}{2}$ per share; 1917-1919, \$5; 1920, \$4 and 100 per cent stock; 1921, \$1.50; 1922, \$1.87 $\frac{1}{2}$; 1923, \$3.12 $\frac{1}{2}$; 1924, \$8 and 100 per cent stock; 1925, \$5.75; 1926, 1927, \$5.25; 1928, 1929, \$5; 1930, 1931, \$4; March, 1932, 75 cents.

International Silver Company

Preferred and common stock. Offering, 1926.

Dividends on seven-per-cent preferred stock paid regularly. Dividends on common stock: 1926, 6 per cent; 1927, 1928, 6 per cent; March, 1929, $1\frac{1}{2}$ per cent regular and 2 per cent extra; June, 1929, $1\frac{1}{2}$ per cent regular and quarterly thereafter to December 1, 1929; March 1, 1930, $1\frac{1}{2}$ per cent regular and 2 per cent extra; June 1 and September 1, 1930, $1\frac{1}{2}$ per cent; December 1, 1930, 1 per cent; none thereafter to April 30, 1932.

Ludlow Manufacturing Associates

Common stock. Plan inaugurated, 1905.

Dividends: 1913, ten per cent regular, $2\frac{1}{2}$ per cent extra; 1914, \$6.50 per share; 1915, \$6; 1916-1921, \$10; 1922, 1923, \$8; 1924, \$8 and \$2 extra; 1927-1930, \$10; March, June, and September, 1931, \$2.50 each; December, 1931 and March, 1932, \$1.50.

The New York, New Haven and Hartford Railroad

Seven-per-cent preferred stock. Offerings, 1925, 1927. Price, par.

Regular dividends paid quarterly to April 1, 1932; none thereafter to August 11, 1932.

Pacific Mills

Common stock. Single offering, 1923. Price, \$91.

Dividends: 1923 to February 1, 1925, 6 per cent per annum; June, September and December 1, 1925, $\frac{3}{4}$ per cent each; none thereafter.

Package Machinery Company

Common stock. Offering, 1925. Price, \$50.

Dividends: 1925-1928, \$8; 1929, \$6.50; 1930-1931, \$6 regular and \$1 extra; March 1 and June 1, 1932, \$1.50 each.

Plymouth Cordage Company

Special employees' stock. Offering, 1920. Price, \$20.

Dividends: April, 1920-July, 1921, 4 per cent quarterly; October 1, 1921, 3 per cent; 1922, $10\frac{1}{2}$ per cent; January, 1923, $1\frac{1}{4}$ per cent; April, 1923, paid $1\frac{1}{2}$ per cent and quarterly thereafter to January 20, 1932; April 20, 1932, $1\frac{1}{4}$ per cent. Paid an extra dividend of $1\frac{1}{2}$ per cent December 20, 1929. Other extra dividends paid: 3 per cent, June 12, 1924; 2 per cent each October 20, 1925 and 1926; December 20, 1929, $1\frac{1}{2}$ per cent. Paid stock dividend of 100 per cent in December, 1922.

Strathmore Paper Company

Seven-per-cent cumulative preferred employees' stock, class B, non-voting. Offering, 1920. Price, \$10.

Regular dividends paid to April, 1932.

United Shoe Machinery Corporation

Common stock. Single offering, 1923. Price, \$28.

Dividends: \$2 per annum, 1921-April, 1924; July, 1924, $62\frac{1}{2}$ cents per share and quarterly thereafter to April 5, 1932. Extra cash and stock dividends, June 18, 1923, 40 per cent in stock; October, 1925 and 1926, \$1 in cash; 1927, \$1 cash and 20 per cent stock; October 5, 1928, 1929, 1930, and 1931, \$1 in cash.

Price range: 1931, $56\frac{1}{4}$ -34; 1930, $68\frac{1}{4}$ -50 $5/8$; 1929, 85 $7/8$ -55 $1/4$; 1928, $77\frac{1}{4}$ -63 $7/8$; 1927, $77\frac{1}{2}$ -51; 1926, $53\frac{1}{4}$ -47; 1925, 50-40 $5/4$.

Waldorf System Incorporated

Common stock. Offerings, 1925, 1929. Price, \$20.

Dividends: 31 $1/4$ cents per share paid quarterly from July 2, 1923 to January, 1927; April 1, 1927, 37 $1/2$ cents and quarterly thereafter to April 1, 1932.

Price range: 1931, 27 $\frac{7}{8}$ -17 $\frac{3}{8}$; 1930, 31 $\frac{7}{8}$ -21 $\frac{7}{8}$; 1929, 36 $\frac{1}{2}$ -20; 1928, 28 $\frac{1}{4}$ -19 $\frac{1}{2}$; 1927, 25-19; 1926, 23-17; 1925, 19 $\frac{7}{8}$ -14 $\frac{1}{2}$.

The Yale and Towne Manufacturing Company

Common stock. Offerings, 1923, 1924, 1925. Market price.

Dividends paid: On \$25 par stock paid \$5 per share (including \$1 special each year) in 1923 to 1927; 1928, \$4; 1929, \$4 regular, and \$1 extra; 1930, \$3.50; 1931, \$2; January 2, April 1, and July 1, 1932, twenty-five cents.

Price range: 1931, 30-8 $\frac{1}{4}$; 1930, 77-25; 1929, 88-61 $\frac{1}{2}$; 1928, 84 $\frac{1}{2}$ -61 $\frac{1}{2}$; 1927, 84 $\frac{1}{2}$ -70 $\frac{1}{4}$; 1926, 72 $\frac{1}{2}$ -60 $\frac{1}{2}$; 1925, 70 $\frac{1}{4}$ -62.

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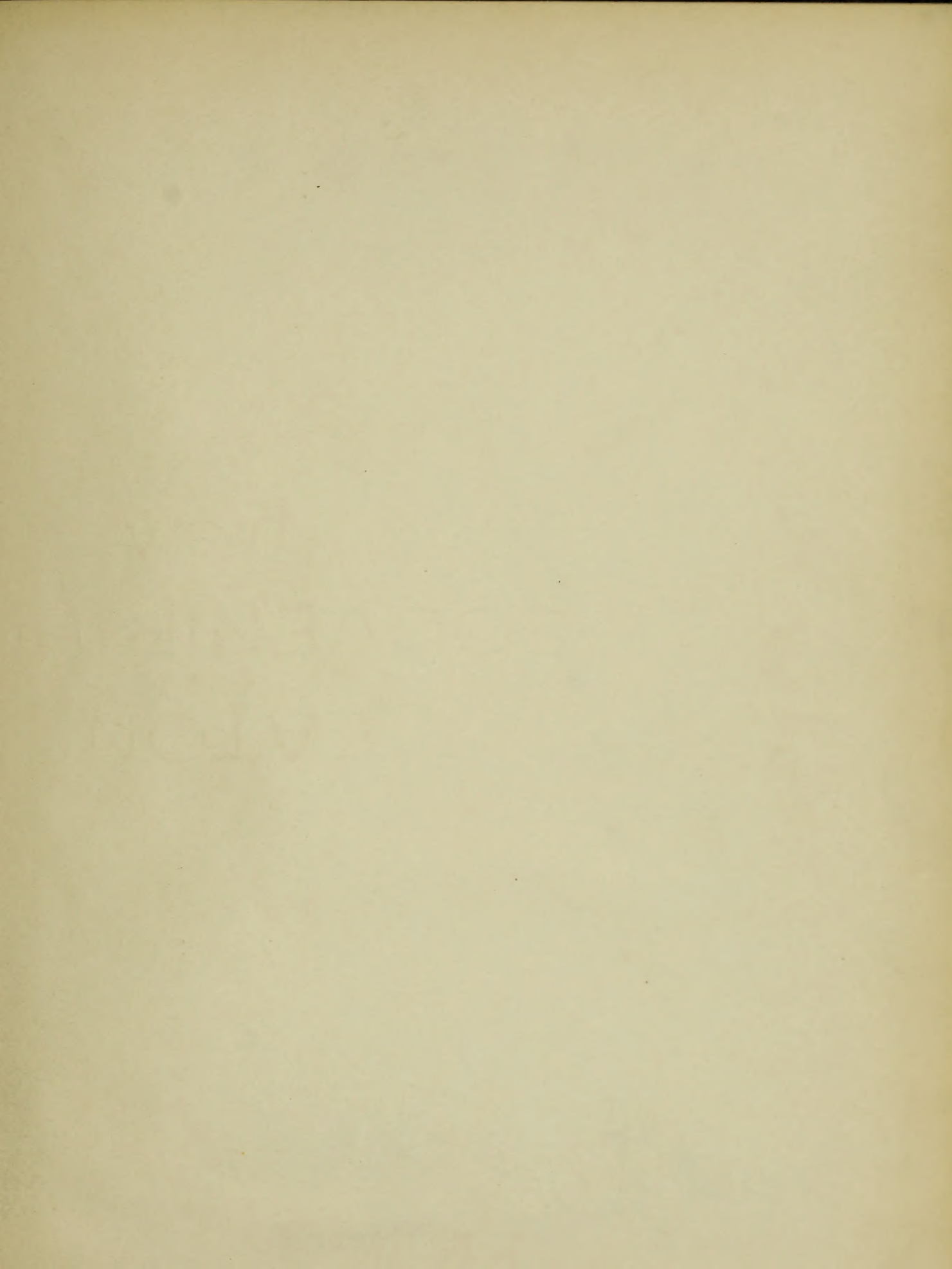
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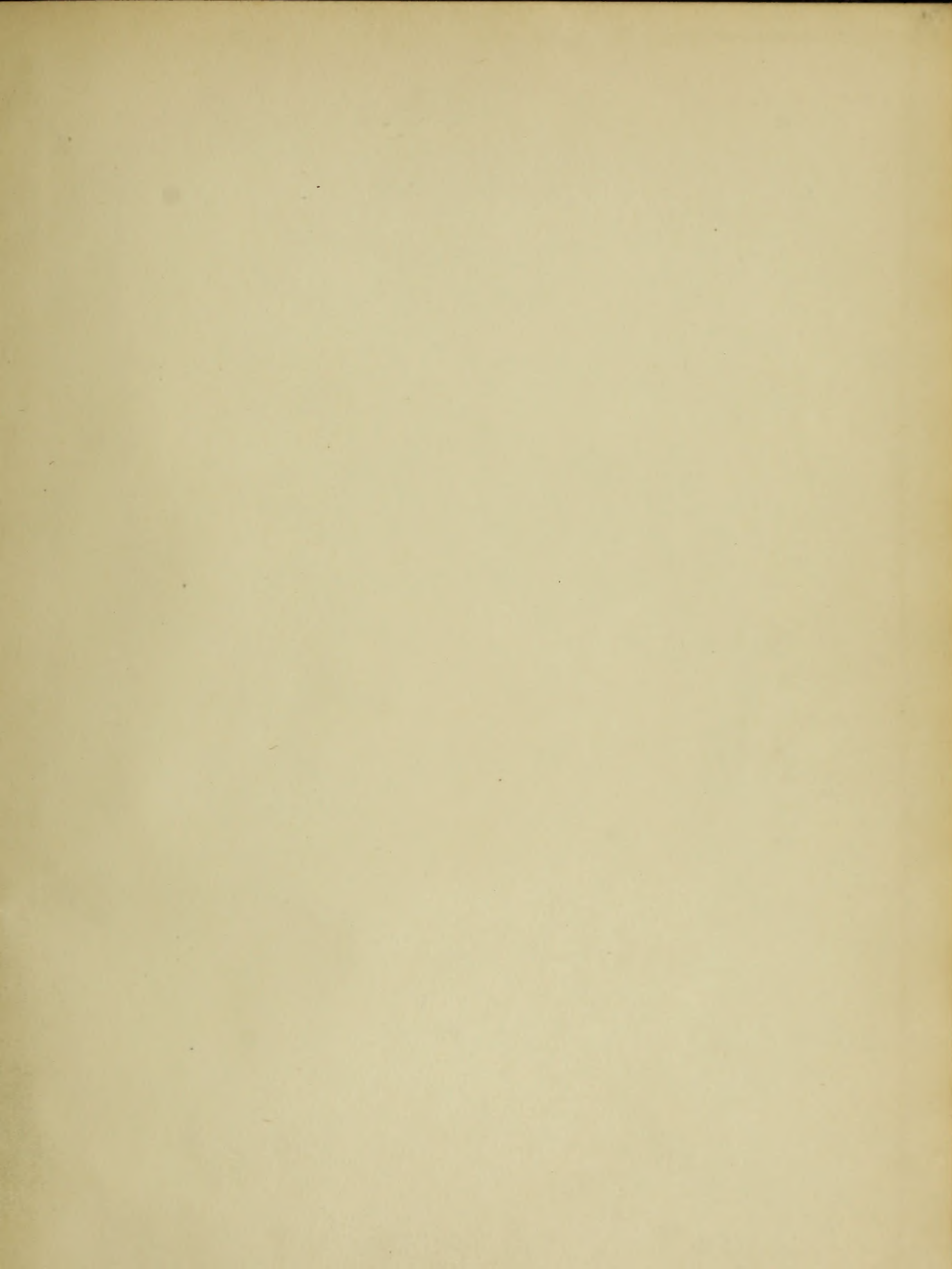
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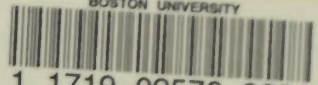
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